The MAGAZINE of WALL STREET
and BUSINESS ANALYST

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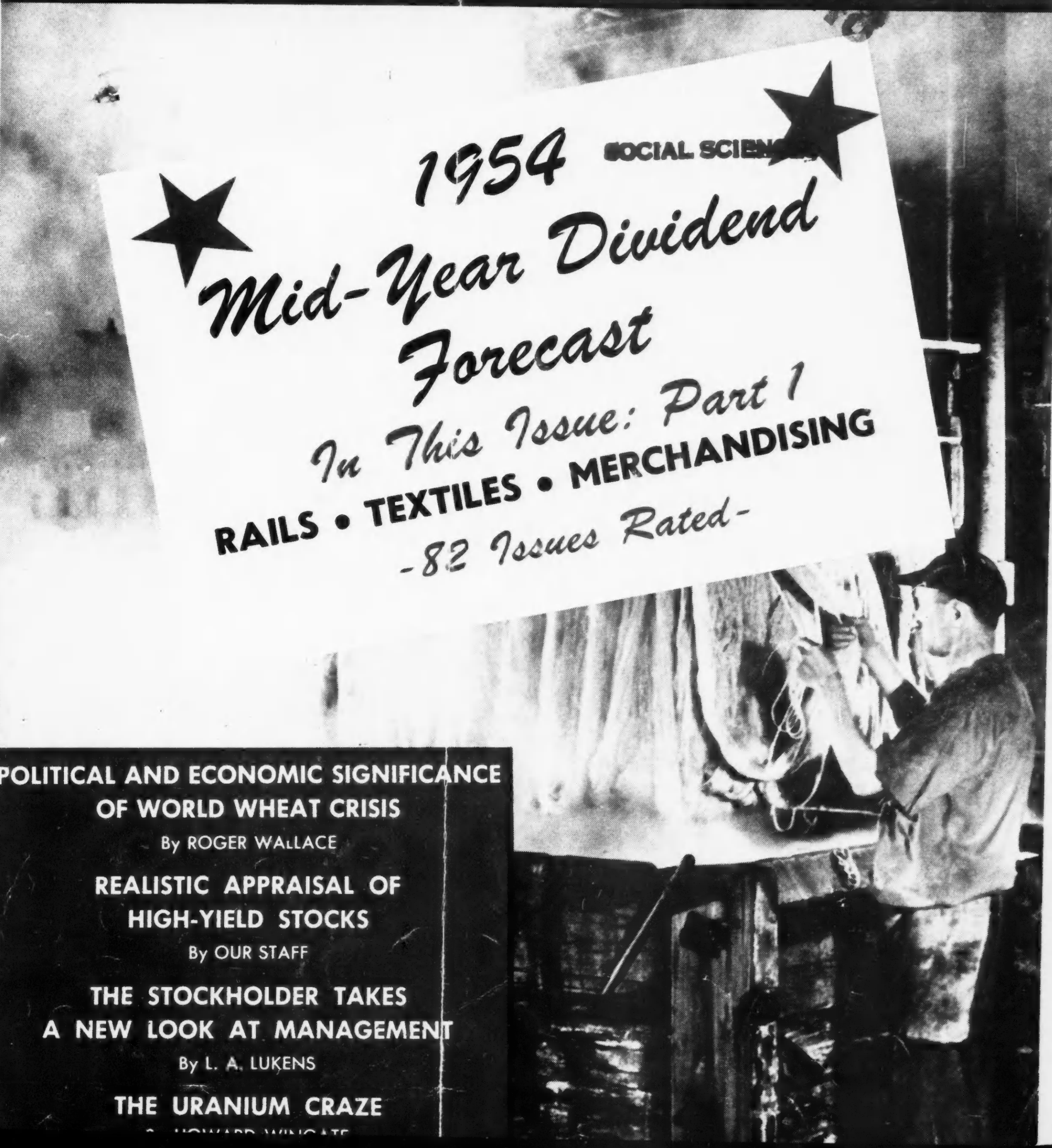

POLITICAL AND ECONOMIC SIGNIFICANCE OF WORLD WHEAT CRISIS

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By OUR STAFF

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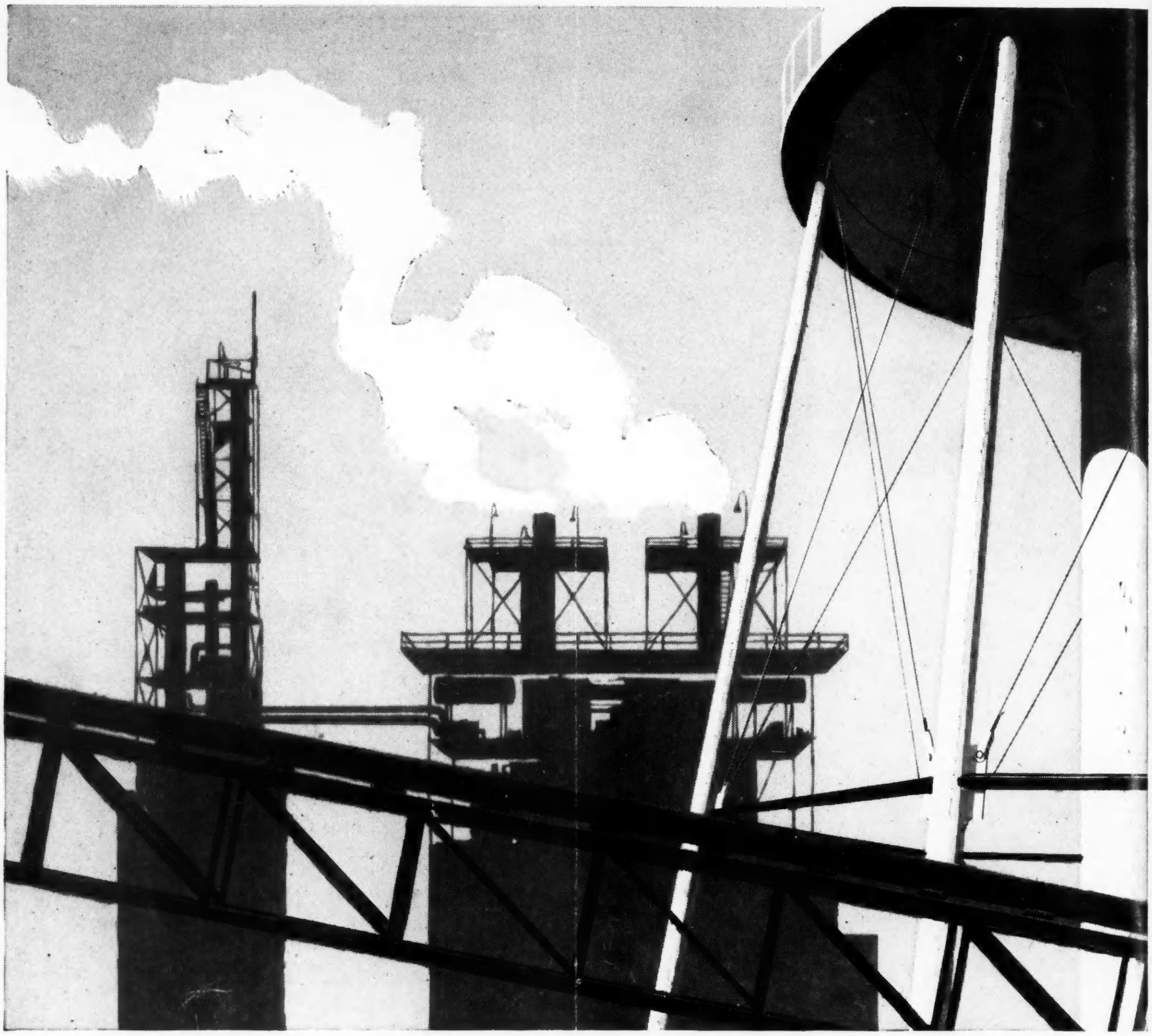
THE URANIUM CRAZE



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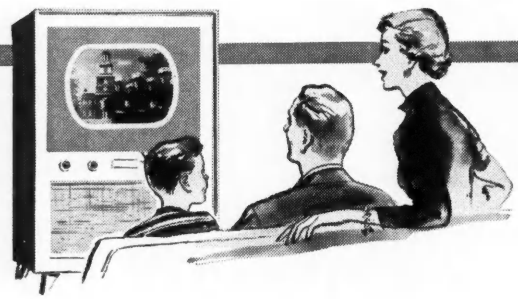
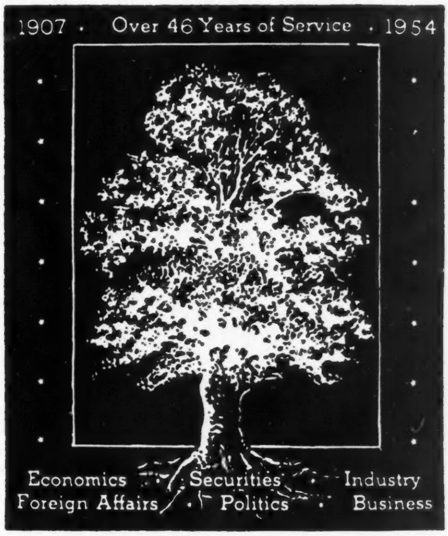


THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*



The Trend of Events

THE PRESIDENT'S DISAPPOINTMENT . . . With the enactment of a straight one-year extension of the Reciprocal Trade Act, the President's cherished plan for a three-year extension must now be deferred until next year. The President can lay this failure at the door of some influential Republican figures. To add to his problems, Mr. Eisenhower now faces an even more bitter fight over farm price controls, one that he has a good change of losing, or at best accept an unsatisfactory compromise.

Without entering into the merits of these highly controversial issues, the President's failure to obtain from his own party the degree of cooperation required to ensure passage of bills on which he has set such great store is conspicuous. Other Chief Executives, of course, have had their troubles with Congress but this has followed from obstruction by the opposition party and is normal in American politics. It is not usual, however, as in the reciprocal trade and farm price support bills, for a President to fail to receive effective assistance from the leaders of his own party, especially when he commands such enormous popularity.

In November, the people will go to the polls, and they will consider the legislative record of the present Conress. It may well be that individual members of his own party who have crossed the President will find a resentful public. If control of Congress should, as a consequence, pass to the opposition, the majority party need blame only itself for not having adopted the well laid-out program of its leader.

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

FEDERAL CONTROL FOR UNION WELFARE FUNDS . . . An important bill, designed to end the arbitrary and, in some cases, the illegitimate use of union welfare funds by union officials has been introduced into the House. The purpose of the bill is to place union welfare funds under the same regulatory conditions required of insurance companies, and to close some of the more glaring gaps in those sections of Taft-Hartley which govern the administration of these funds.

It has been apparent for some time that new legislation in this field has been badly needed. Several of the more obvious inequities are: one, the withholding of welfare funds from union members who may be in disagreement for one reason or another with their union officials; two, adequate supervision of investments is handicapped through lack of sufficiently neutral representation among the trustees. Under the present law, neutral representatives are supposed to be selected by the employer and union trustees but in actual practice the unions dominate and often compel the selection of a "neutral" trustee of their choice. Under the proposed law, neutral trustees will be appointed by the appropriate federal court in the district in which the union has its principal office.

Other malpractices could be cited, in addition to those described. The worst of these is the temptation of union executives to line their pockets by

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS : : 1907—*"Over Forty-six Years of Service"*—1954

commissions received through the placement of insurance. Under the new law, both employer and union trustees would be prohibited from using their position in any way to affect personal profits.

Undoubtedly, the new proposal will meet with an enthusiastic response from rank and file members. From a broader viewpoint, too, the effects should be salutary, as the growing financial power which has been accruing to the union leaders is leading to flagrant abuse in many ways. Congress should not hesitate about passing this important bill.

NEW FORCES AT WORK? . . . The steel settlement which raised wages and "fringe benefits" beyond the point originally considered desirable by the industry is a development which raises the question as to whether another inflationary spiral may not be in the making. In response to the hike in wage costs, prices have already been increased. This rise, however, may turn out to be premature in view of the fact that operations in the industry have been and are now well under last year's peak. The present time, therefore, hardly seems propitious for putting higher prices into effect, as the heavy industry customers of the steel industry will not find it easy, under present conditions, to pass along any higher costs which derive from the steel increase.

On a broader scale, however, other forces are at work which are definitely inflationary in character. One of these is the recent reduction in Federal Reserve requirements, and another is the extreme liberalization in home mortgage provisions. Government expenditures, it is true, are still somewhat on the deflationary side, but this trend could be reversed at any time if the world crisis should deepen quickly. With this as a background, it is worth while bearing in mind that while deflationary forces have been in the ascendancy for some time, the point of reversal may have been brought closer by new policies of the Government that are commencing to touch sensitive economic nerve areas.

ROOM FOR IMPROVEMENT . . . The New York Stock Exchange may be adequately fulfilling its functions as the major market in which securities are bought and sold, but, essentially, it has failed to reach the American people. The reason for this, we think, is that, aside from a new conspicuous and enlightened exceptions, the membership has not made the necessary effort. Most brokers are content to plod along the traditional path depending on old-fashioned methods to gain new customers. This is a limited horizon indeed.

What brokers should see is that beyond their immediate clientele are millions of potential investors who are waiting to be educated in the essentials on investments. Unless this vast field is cultivated, the Stock Exchange will not measure up to its full responsibility.

To be sure, the Exchange has initiated its pay-as-you-go plan but this is likely to prove comparatively meager in its results unless backed by a national campaign, reaching into every corner of the land, geared not so much to the immediate gaining of new business but to the very long-range objective of making permanent investors out of millions of American citizens who have thus far been ignored. This will take a great deal of effort, foresight and patience and, probably, the expenditure of substantial sums.

Thus far, unfortunately, we have seen little evidence that the Exchange is willing to embark on such a program. Indeed, it has done precious little to assist and encourage even those organizations and publications which have done their utmost over the years to educate the public in investment matters. For ourselves, we can say regardless of what the Exchange does, we propose to continue our educational work. We believe the American people are fully entitled to this service. It is lamentable that the Stock Exchange, which is in a position to enlighten the American public on investments, has heretofore not made an adequate effort in this direction.

STOCKPILING . . . The Office of Defense Mobilization has just reversed itself in the matter of authorizing the General Services Administration to purchase lead and zinc for the strategic stockpile. In its earlier directive, ODM required GSA to buy at established ceilings. Under the new directive, purchases may be made "at the market."

It does not mean, of course, that the government is compelled to buy all that is offered at market prices but, rather, that it will pay such prices for the amounts required, and no more. Since March, the price of lead and zinc has advanced as a result primarily of new government stockpiling activities. With the new directive, a "floor," in effect, has been placed on the price of the metals.

No doubt the government has been impelled by two considerations: first, the necessity of building up its reserves of strategic metals and, second, to aid producers for the purpose of maintaining a higher rate of employment.

THRUWAY BONDS . . . Although "revenue" bonds are an old story in the United States, recent "public authority" offerings are of a size never before approached. The new $300 million New York State Thruway Authority issue is the largest of its kind on record but there have been, in recent months, similar issues running not much below this figure. It is estimated that Thruway bond issues alone will this year aggregate $2 billion.

"Revenue" bonds of the Thruway type normally yield considerably more than other tax-exempt issues as they are not a direct charge against the states or municipalities and, therefore do not have full protection of total state or municipal revenues, but, rather are exclusively dependent on the income derived from the particular project. In the case of Thruways, the margin of safety for interest payments is dependent on the volume of traffic; and the tolls derived thereby. Should these tolls fall off materially, the investment position of the bonds might be affected. Thus far, this has proved only a theoretic disadvantage as all "authorities" governing thruways, tunnels, bridges and the like, have successfully met their interest obligations by a satisfactory margin. From the practical standpoint, therefore, it would appear that as the need for new Thruways increases, more of this comparatively new type of investment will be available to institutions which require broader outlets for their funds, and to wealthy individuals in high income-tax brackets who are attracted by the higher yields offered by these tax-exempt securities.

As I See It!

By E. D. KING

WHAT ARE WE GOING TO DO ABOUT IT?

As between the Eisenhower-Churchill and the Chou-Nehru talks, the latter were probably the more significant so far as the long-term future is concerned. Both meetings, however, were overshadowed by mounting evidence that the French are preparing to withdraw from the Red River Delta, the richest part of Indo-china and to turn that vital area over to the communists. One does not have to be clairvoyant to see that the French surrender will have enormous repercussions on what remains of the free world littoral in Asia and the West Pacific.

The relinquishment of the fabulously prolific rice-producing Red River Delta to Ho-Chi-Minh gives his immediate overlord, Mao Tse-tung, added power to blackmail the Japanese economically, as Japan is highly dependent on rice imports from Indo-china. All that the Chinese will have to do in order to get heavy machinery and other needed equipment from Japan is to threaten to withhold rice. Also boding ill to the cause of the free world in Asia is the obvious fact that Indonesia is slowly being drawn into the India-China orbit. Japan receives a good part of her oil from Indonesia. If that country, as is more than likely, proves susceptible to pressure from Peiping and New Delhi, Japan will have to pay a high price, by way of trade concessions to China, to obtain the oil she needs for her industries.

How has this catastrophe come about? Of the many reasons that can be cited, one in particular stands out. That is, we have weakly permitted Britain and France to persuade us to support their colonial interests, thereby forcing us into a position that never has been satisfactory, as we, above all other nations, should have set our face against colonialism. This has been our stand ever since our founding. Indeed, we ourselves have been the product of a revolt against colonial status. Had we maintained our traditional attitude on colonialism, as we fully demonstrated when we freely granted independence to the Philippines, most of Asia would have been on our side, instead of in the camp of the Communists or in danger of this fate. Instead, by following the moth-eaten precepts of British and French diplomacy we allowed ourselves to be lured away from our old-time principles and to suffer the inevitable resentment of those lesser nations that should have been our friends. This can never be a winning game for America.

DOOMED?

Loring, in the Providence Evening Bulletin

In Guatemala, on the other hand, we have just proven that our firm stand, in accord with our principles, has a good chance of preventing what otherwise might have become a mortal peril to our Latin American neighbors. By giving moral support to democratic elements in Guatemala, we have ended, while there was still time, an insidious communist conspiracy that, if allowed to go unchallenged, might well have succeeded. Yet, we have done this without abandoning our principles and without departing from recognition of the fact that economic reform is needed in many Latin American countries. Moreover, we will now be able to do much more, not only for Guatemala but for her neighbors, aiding these countries to attain the greater share of economic well-being to which they are entitled. The secret of our potential success in Guatemala is that we were not afraid to act on our own, though without actual intervention, and that we were able to avoid the necessity of escaping roadblocks such as the British and French have thrown in our path in Asia.

The contrast between our achievement in Guatemala and our failure in Asia is striking. In the former instance, we have not failed to make our position clear, acting in full accord with our principles; in the latter, wooing the British and French, we have, in effect, abandoned principle for expediency. Ironically, we have not even held the allegiance of those for whom we abandoned our principles.

The fact of the matter is that we cannot retain the respect and affection of the less fortunate nations and peoples unless we (*Please turn to page* 496)

Technical Forces Dominate Market

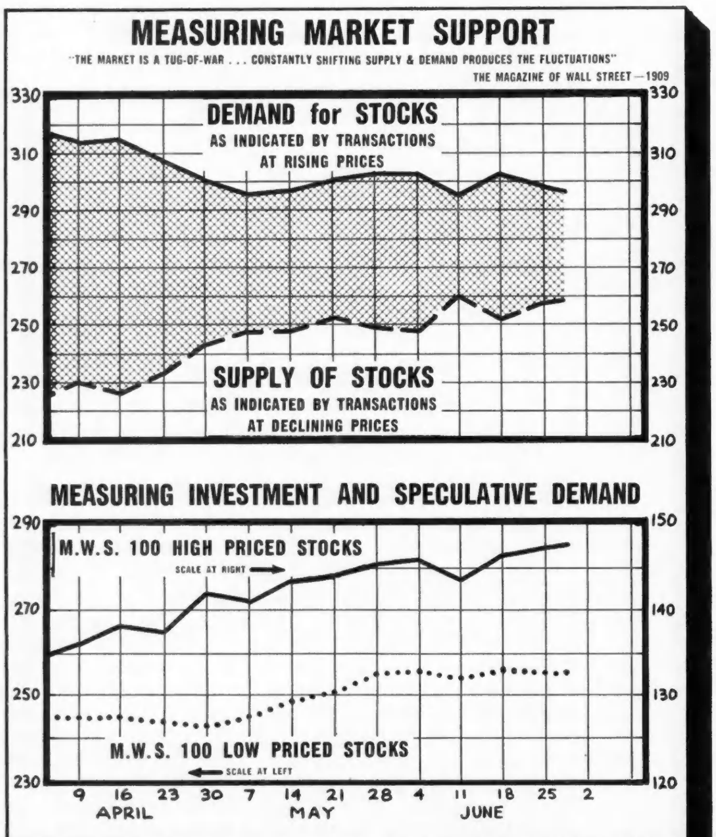
Sharp swings in some prominent stocks took the recent spotlight in a highly mixed market, distorting performance of the Dow industrial average. The over-all direction was upward on the fortnight, checked before the end of last week by tax-relief uncertainty. Investors' policy should be highly discriminating.

By A. T. MILLER

Wide gyrations in stock prices, whether centering in speculative issues or good-grade issues or both, are unhealthy, tend to make for nervousness among traders and investors, and may increase the market's technical vulnerability. The kind of people who used to "get aboard" almost any stock suggested by the broker have shown recent tendencies to "get aboard" fast-moving Blue Chips on the basis of "hot" action or rumor or the theory that insitutional buying would assure them some profit anyway, perhaps soon, perhaps later.

Whatever the motivation of the buyers and sellers, and regardless of the quality of the issue, it is speculative, rather than investment, behavior when du Pont, as happened last week, shot up 15½ points in one day and fell 9½ points in the following two days; when U. S. Gypsum had a two-day spurt of 11½ points, followed by a one-day spill of 4½ points. A number of less extreme examples could be cited—quite a few of them among issues which are included in the Dow-Jones industrial average. As a result, the recent performance of the average has been even less indicative of what was going on in the market than it usually is.

To illustrate, here is the story of three recent days, as cited above for du Pont and U. S. Gypsum—first day: gains by 449 individual stocks, declines by 423, issues unchanged 285. But the Dow average rose 3.59 points (thanks largely to du Pont and Gypsum) and had a maximum intra-day of about 6 points.



Second day: 464 stocks advanced, 440 declined and 296 were unchanged—in short, not much different from the previous day. But "the Dow" moved over a range of nearly 8 points in order to close with a net gain of less than 1 point.

Third day: 379 stocks advanced, 502 declined, 282 were unchanged. The industrial average gyrated over a range of nearly 6 points, ending down 3.36 points.

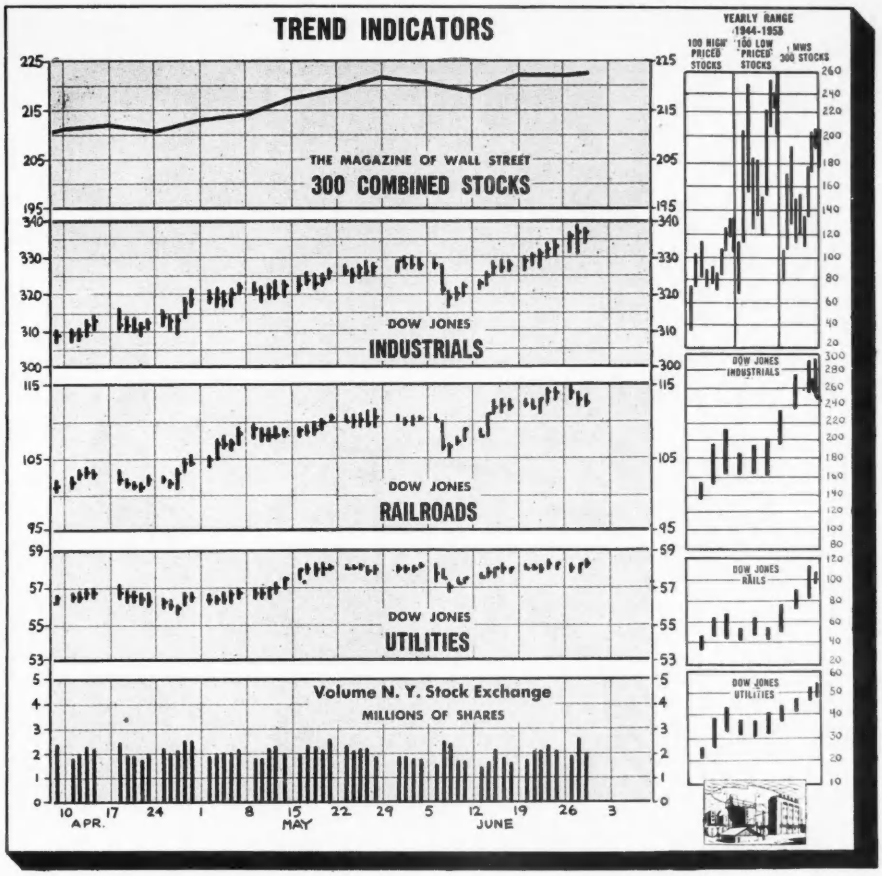
The net change for the past fortnight was moderately upward for the industrial average, slightly upward for our weekly index of 300 active stocks, with no significant change for the Dow rail or utility averages. However, most of the period's market "news" was made last week by the hectic fluctuation in a minority of prominent stock heretofore referred to; by a spurt in trading volume in the forepart of the week to the highest figure in some weeks; and then by a sudden chilling of bullish enthusiasm when word came that the Republican leadership in the Senate had decided at the last minute on a further "watering down" of the benefits for dividend income carried in the Administration's omnibus tax-revision bill.

The Tax Uncertainty

We suggested some time ago that investors would do well not to count on this "tax chicken" until it was hatched, since most politicians prefer to do some-

thing for the most voters—or make it seem so—than to appear to favor stockholders or corporations. The President figured that the tax credit originally proposed for dividend income, ranging up to a maximum of 15% in the third and subsequent years after adoption, would stimulate equity investment, which would stimulate enterprise, which would be good for the country—and that what was good for the country ought to be good politics. But we have too many politicians who fear the labor vote or the farm vote or something else—who mistakenly dread the consequences of acting like statesmen.

So the maximum tax credit on dividends was cut to 10% before the House passed the bill. That was retained by the Senate Finance Committee after thorough study; but when the floor test neared the Republicans got a quick dose of cold feet. They did not wait for a showdown. Senator Millikin himself, chairman of the Finance Committee, threw in the sponge to the extent of sponsoring an amendment cutting the tax credit to a maximum of 5%. The amendment was adopted; but later the credit was cut to a flat $50, and that is the way the matter stands as this is written. If there is to be any tax legislation, the Senate-House conferees will have to agree on some compromise; and their final version must be approved by the Senate and the House. There is no point in speculating on the outcome since, with Congress in a hurry to get through and adjourn, it will soon be known. However, indicated strong Senate opposition to any substantial dividend tax credit must be noted.



The Business Outlook

Although people are buying little stock on margin, there have been various indications of increasing boldness in risk taking—in venturing money on possibilities. Many Blue Chips have been bid up to fancy prices, discounting possible higher earnings and dividends for a long time ahead. One sees speculation, even though it is still selective, in a number of secondary and even lower-grade stocks. June trading volume was the heaviest for that month since 1950, accompanied by the sharpest down and up swings in the industrial average seen on the entire advance since last September. Here is an example of risk-taking: active bidding up of U. S. Gypsum and Montgomery Ward, both companies dominated by Mr. Sewell Avery (whose management policies have been disliked by some investors), on no "news" except that Mr. Avery is now 80 years old, instead of 79. All managements change sooner or later—and change can introduce new uncertainties for old ones.

Federal Reserve Policy

General business activity seems unlikely to get dynamically better or worse during the rest of this year. The same is so for corporate earnings and dividends, although the direction of the former appears mildly downward, of the latter mildly upward. Federal Reserve policy, involving the recent cut in bank reserve requirements, seems aimed at keeping money cheap, to facilitate Treasury financing and any seasonal rise in private credit demand—but not at making it much cheaper than it is now. The market has been looking on the bright side for a long time. It may want to take a rest for a while though individual stocks still have plenty of room for advance.

Some of these are in neglected groups but most will be found among issues selling too low on the basis of earnings and dividend outlook in comparison with similar issues.

With the fundamentals moderately favorable, largely static and largely discounted, the question is: how long can investment and speculative optimism feed on itself? Logic suggests a basis for some temporary cooling down of bullishness; but as to whether logic will soon prevail, time alone will tell. We continue to suggest maintenance of adequate reserves, and careful weighing of demonstrable values in individual stocks in making decisions to buy, sell or sit tight—Friday, July 2.

Political and Economic Significance of the World Wheat Crisis

By ROGER WALLACE

Economists, usually inclined to regard the future with a much more jaundiced eye than the majority of business men, are beginning to ask themselves whether the world glut of wheat may not prove to be of much more far-reaching political and economic significance than the current hot spots of Indochina and Guatemala. For, while business activity recently has registered a little recovery for the first time in many months, commodity prices—paced by wheat—have been moving slowly downward and giving evidence of shattering the 18-month period of general commodity price stability.

The wheat situation isn't something that can be passed off as unimportant from the standpoint of the business man and investor. The price insulation afforded by the government price support programs to farmers has worn thin, and cash wheat in the open market has been selling well below the support price for many months. Governmental efforts to move the mountainous surplus into export through payment of generous export subsidies have met with little success. The International Wheat Agreement, which worked with a considerable degree of smoothness during the early post World War II years of food shortages, is falling apart at the seams now that wheat is in oversupply throughout the world.

A few weeks back, the United States reduced its export selling price by 10¼ cents a bushel in a rather desperate effort to push wheat out of the country before the new 1954 crop began to move. But, the ink was barely dry on the price reduction announcement before our friendly northern neighbor, Canada, announced a similar mark-down. Canada, too, has been finding it increasingly difficult to sell wheat, and supplies have been backing up there at an alarming rate.

The United States and Canada are not the only countries confronted with surpluses of wheat, and the action of Washington in putting pressure on an already easy market has occasioned considerable con-

cern. Australia, so important politically at the current critical stage of international affairs, is worried lest the present pressure to find export outlets results in a disastrous price war similar to that in the early 1930s. Wheat is particularly important to Australia, since it is that country's second largest export commodity, topped only by wool. To the South of us, Argentina—another large exporter—is concerned over the United States action.

The European countries, that took large quantities of the bread cereal from the United States during the early post war years, have stepped up production during the past few years to the point where they are much more self sufficient than formerly. And, of course, these countries prefer, when they can, to buy their wheat with soft currencies—conserving their dollar exchange for other purposes—and to do their buying with an eye to bettering their own exports of other commodities.

The Russian Enigma

Russia, an important exporter of wheat prior to World War II, has not been much of a factor in world markets during the past few years. The desire of the present regime to consolidate its position with the populace by raising the standard of living would seem to rule out the possibility of Russia shipping out large quantities of wheat in order to obtain foreign exchange, at the same time forcing her own people to suffer hunger and actual starvation, as happened in some years prior to the war.

In fact, Russia has been a small buyer of wheat in recent years, although it is not altogether certain whether these purchases have been for home use or for shipment to the Far East. But, there is no doubt about the fact that the Soviets are fully aware of the political significance of their purchases. It was reported recently, for example, that Russia had pared sharply her purchases from Pakistan as a result of displeasure over the closeness of relationships with the United States.

Economic weapons always have played an important role in the Russian bag of tricks. Unquestionably, they are quite cognizant of the weak world situation in wheat and its implications with respect to the world commodity price level. They always have felt that economic distress in the Western World, accompanied by the inevitable large scale unemployment, would result in enhancing their prestige and power among nations. If such distress could be hastened by exerting pressure on the world commodity price structure at a critical juncture, they probably would not hesitate to throw large quantities of wheat on the world market, accompanied by pious statements stressing that they were taking such action to enable the workers of the world to obtain cheaper bread.

The International Wheat Agreement, designed originally to protect both exporters and importers of wheat through guaranteed quotas at established rates, began to fall apart last year when Great Britain quibbled over a five cent per bushel difference in the rates and refused to become a signatory.

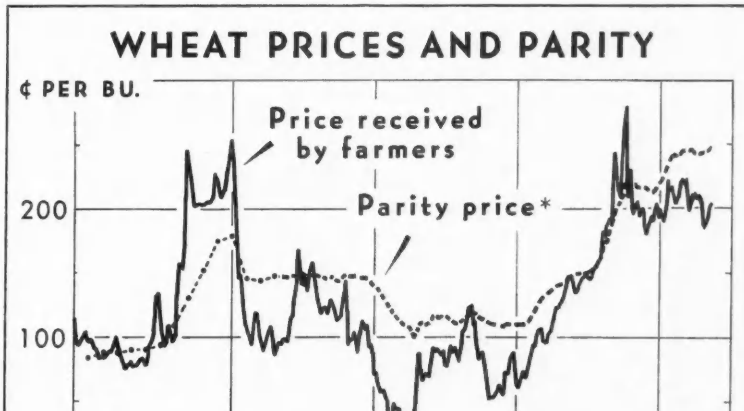
As a result of the British withdrawal from the IWA, the United States export quota was reduced from 270 million bushels to 210 million bushels. In the season just ended, on June 30, the IWA signatories did not live up to their end of the agreement. Total exports from the United States, to both IWA and non IWA countries, were only some 200 million bushels. In the previous season, ending June 30, 1953, exports of wheat—including flour equivalent—totaled 315 million bushels. This drop in shipments abroad occurred despite the fact that, as long ago as last November, the United States offered to sell wheat to non IWA countries from its Commodity Credit Corporation stocks at substantial discounts under the domestic price.

The new International Wheat Agreement still has two years to run, but it does not mean much if the importing signatory countries continue to take only a part of their quotas. Under the terms of the agreement, the United States can demand that the signatories live up to their end of the bargain but that is not altogether practical.

Several years ago, when the wheat available under the IWA quota was much cheaper than that obtainable elsewhere, the IWA signatories were only too anxious, of course, to take up their full quotas. The International Wheat Agreement appears to be just another one of those international deals that we manage to get into, where we do the giving just so long as it is advantageous to other countries but where we are left holding the bag when the tide turns the other way.

Prior to World War II, the United States had shrunk into insignificance as an exporter of wheat. During 1935-1939, exports averaged only 63 million bushels, partially offset by imports of 24 million.

After the war, shipments abroad soared. In 1948, commercial exports and shipments, plus military procurements for civilian relief feeding and for troops, aggregated 505 million bushels. That was the peak year. It is very doubtful that, short of another war or serious crop failures in a number of foreign countries, anything like that total ever will be recorded again.



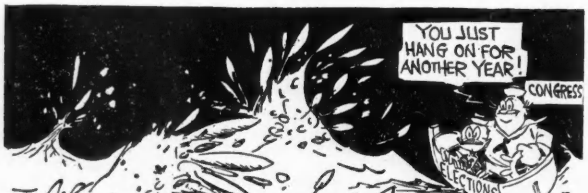
Two important factors, apart from the availability of cheaper wheat in other surplus-producing areas, have contributed to the decline in United States exports. Increased production in Europe, to well above prewar levels, has resulted in decreased dependence on imports. Furthermore, with the increase in livestock numbers and slaughter since the end of the war, the people of Europe are eating less bread than in the early postwar years.

Consumption Declining Here

Here in the United States, consumption also is declining. Despite the sharp increase in population since prewar, the total amount of wheat processed for food is slightly below prewar. Per capita consumption is off sharply. Some of this decline is the result of the improved standard of living and greater consumption of meats and vegetables. Some is the result of the campaign to slenderize the American people through cutting down on the starch intake. Consumption of potatoes has declined somewhat similarly.

The contraction in home consumption, along with the shrinkage in export trade, has complicated the problem. Corn crops in recent years have been large, restricting the demand for wheat for animal feed. There is only a very limited industrial demand for wheat. During World War II, large quantities were used in the manufacture of alcohol for the production of synthetic rubber. This was a high-priced, emergency operation, and most synthetic rubber now is produced from petroleum.

Now and Then We Ought to Look in on Mr. Benson



Dowling, in the Herald Tribune

While consumption and exports have been declining, stocks of wheat have been mounting. Seven years ago, on July 1, 1947, the carryover in the United States had been reduced to only 84 million bushels. This year, the carryover is approximately 900 million bushels, a new record high. A year hence, judging by present indications, the carryover will be over a billion bushels.

Since prewar, yields per acre of wheat—along with yields of practically every other agricultural product—have increased substantially. Yields now are about one-third greater than prewar. Improved agricultural methods, including increased mechanization, are primarily responsible for this gain. The "agricultural revolution" has not been confined to the United States. Indeed, we have sent agricultural experts abroad, under government aegis, to help the "backward countries" improve their agricultural methods and output of wheat.

High Price Supports Guilty

Artificially high government price supports for wheat, maintained long after there was any justification for them, can be blamed almost entirely for the top-heavy wheat supply situation which threatens wheat prices and the entire commodity price picture.

If wheat prices had been permitted to seek their "natural" levels, as determined by supply and demand, there would be no wheat problem in the United States today. Farmers, following their time-honored custom, would have reduced output to bring supply in line with demand.

Instead, with the surplus mounting steadily, price supports to farmers have been increased steadily. During the war, in order to encourage needed production, price supports were established at 90 per cent of "parity" and have been continued at this high percentege ever since. Parity is a mythical concept designed to represent "fair" prices for both farmers and consumers, and is the result of applying an index alleged to reflect farmers' costs of production against a "base period" price when values already were distortedly high. This index is computed, of all places, in the Department of Agriculture, and seldom declines, of course.

No account is taken of the fact that, as a result of improved farming methods, the cost of production has actually declined. The government loan value for wheat this year is approximately $2.25 per bushel, on the farms, but there are many growers who state that they can produce wheat profitably at $1.25 to $1.50. Since the loans are non-recourse loans, wheat growers are only too willing to produce all they can "for sale" to the Government at inflated values.

Storage Problem Mounting

Of course, the problem of storing some 900 million bushels of unneeded and unwanted wheat is a major headache. Most of this huge carryover will be in government hands, since market prices have been below the loan value with no resultant incentive for growers to redeem their grain.

All conceivable types of storage space are being used to house this gigantic lemon in addition to the usual elevators. Even the mothball fleet of World War II merchant ships is being used.

No one is certain just (*Please turn to page* 482)

At various corporate annual meetings so far in 1954, stockholders for the first time in years, played a more active and direct role in the choosing of directors. This article points out the possible effects of this dynamic development on future corporate elections.

The Stockholder Takes A New Look At Management

By L. A. LUKENS

When the financial history of 1954 is written, one of the most fascinating stories to be told will be the awakening of stockholders to their inherent power to change the management of their companies, if they think it is in their interest to do so. While the famous New York Central fight, which resulted in a defeat for the management, is the most sensational instance of divergence between management and stockholder—and this, for reasons that will be given later, by no means the most representative of the rapidly increasing number of "proxy" fights—there need be little doubt that the overturn of a number of managements by stockholders this year will have the result of stimulating similar fights in 1955 and after.

What is behind the restiveness of stockholders? To understand the situation and its implications, it would be best to take a broad view of the existing relationship between stockholders and management. From the orthodox standpoint, the stockholder is the owner of his company and, in theory, has the right to hire and fire his executives. In practice, especially in the past quarter century, an entirely new concept has developed. That is, simply, that the stockholder occupies a position not too different from the bondholder or preferred stockholder, except that unlike the fixed return received by the latter, the stockholder is entitled to a share of the profits that will vary according to the earnings of the company. The distinction, however, and it is an important one, is that in reality the stockholder does not control the amount of dividends he may receive but is more dependent than ever on what management says he shall receive. In the old days, in sharp contrast, his voice was the controlling one. Today, management has by far the more potent say in the matter. Under these conditions, it became inevitable for the stockholders' status to be reduced, more or less, to that of a preferred creditor, rather than that of an owner. This has widened the gap between management and stockholder. Since the average stockholder is deeply interested in dividends, his tendency in recent times has been to become more dissatisfied with management, especially if he thinks his interests have been ignored or neglected in the matter of receiving what he thinks should be a fair share of profits.

In many cases, the stockholder thinks the management has exposed itself to the criticism of overcaution in the matter of dividend payments and he has come to believe that management has become too much interested in retaining earnings for future development. This resentment is increased when stockholders feel that management would have more of an interest in paying fair dividends if it owned a larger representation in the stock. It certainly has become apparent that, unlike former years, man-

agers of corporations to-day, in a surprising number of instances, own infinitesmal amounts of stock in their own companies.

Nothing Wrong

It is difficult to explain to the stockholder that there is nothing sinister in this situation and that the corporation manager or executive to-day is a professional who hires out his skilled services to the highest corporate bidder and that, therefore, his interest in the corporation is that of a hired expert rather than that of an owner. It is this growing divergence of primary interest that tends to explain the increasing concern which stockholders are displaying in the attitudes and effectiveness of their managements.

It is rather ironic that the display of restiveness on the part of stockholders should be occurring at a time when management has made its greatest efforts to acquaint stockholders with the details of company operations and to gain their good-will through publication of ever-more interesting annual and interim reports. This is welcomed by the stockholder, of course, but if all this wealth of material does not produce dividends to the amount desired, the final effects are likely to fall a little flat.

To the average stockholder, management's explanation, in attractively prepared reports, that it has been conservative with dividends in order to reduce debt, strengthen financial positions, finance research and development and in all ways prepare for the future, if not nearly so convincing as the size of the dividend check. To the management this may seem like ingratitude but to the ordinary investor, it seems to make sense.

Disagreement between management and stockholder is increasingly voiced at annual stockholders' meetings which, incidentally, are being attended in ever larger numbers. It is not unusual these days for a thousand and more stockholders to show up at a stockholders' meeting when, not so long ago, only a corporal's guard could be mustered. No doubt, the comparatively attractive auspices under which these meetings are held, at which pleasant refreshments are nowadays offered, is an added inducement for shareholders. More seriously, however, when the stockholder is thoroughly dissatisfied he does not hesitate to ask questions, sometimes quite embarassing ones and he may even offer suggestions which he wants the management to adopt. All in all, stockholders' meetings have become far more lively and form part of the new picture of a great stirring among stockholders up and down the land.

So far as the large and successful corporations are concerned, however, stockholder dissatisfaction is generally held down to a minimum since, aside from their preoccupation with the dividend rates, stockholders realize that they have very little to offer management by way of advice in running the immensely complicated machinery of to-day's big corporations. Even here, however, they do not hesitate to ask for more consideration and management of these prosperous concerns is finding it more difficult to resist these demands, especially in view of the fact that enormous corporate expenditures for improvements in recent years have made future outlays of such scope less necessary, in many cases.

Market Appreciation Helps

Since the average stockholder is also interested in market appreciation, he is naturally less critical of management, when dividends are conservative, if the policies of management have resulted in a material enhancement in the value of the shares. At least, he argues, if my dividend is lower than it ought to be, the value of my shares is satisfactorily high, thus offering compensation.

The real dissatisfaction of stockholders to-day is with managements that have made little or no progress, and when both dividends and share prices are low, as a consequence. This feeling obviously is aggravated when dividends are entirely lacking. When these conditions prevail, management is blamed for lack of performance. If the management has perpetuated its tenure notwithstanding a poor record over a number of years, stockholders' criticisms are bound to mount, as is the case to-day.

One of the principal objections of stockholders is that management generally controls directorates and, in fact, is largely dominant in the appointment of selected individuals to the board. Under these circumstances, the stockholder feels himself further removed from the core of corporation operations than he feels is justified. If these "monopolistic" attitudes on the part of managements which have not been conspicuously successful become rigid, as is true in many instances, the stockholder is bound to put up a fight which, indeed, he is now doing in increasing measure.

Managements of the more successful corporations have less to fear from this surge of stockholders activity than managements of the less successful concerns. It may well be, therefore, that as a result of the new and stronger position taken in stockholders' meetings that the less successful managements will decide to clean house before they are overturned by rebellious stockholders.

The new stockholder spirit has been spearheaded by strong groups of independent stockholders who are thoroughly versed in the affairs of their companies. Unfortunately, these activities are being supplemented by professional groups and individuals who hope to find a lucrative field of exploitation, if they can acquire the control of a company by stimulating stockholders reaction. Obviously, while perfectly legal, these plans and programs of interested individuals and groups may have little or nothing to do with the interests of the stockholders, as a whole.

The Stockholder's Responsibility

For whatever reason, one may now be sure that the number of "proxy" fights and other efforts to unseat management will increase. In some instances, such efforts will be entirely unjustified and may compel conscientious managements to defend themselves, often at great cost. Some recent "proxy" fights have cost both parties well above a million dollars. In other cases, the expenses may run to tens and, even, hundreds of thousands.

Stockholders, intending to take an active part in such struggles, should make sure that they have a strong, and not imaginary case, against their managements. While it is a good thing for stockholders, as they are now increasingly doing, to take a more determined position in the protection of their interests, they should make certain that these efforts are constructive, both as to aim and method.

As an illustration of new stockholders' activities, such as described above, we present in the following a description of the background of some of the more recent stockholder-management fights.

The Fight for Control of N. Y. Central

In pugilistic parlance, this was a contest that might well be regarded as the "fight of the century" if for no other reason than the terrific verbal, and often acrimonious, slugging. Probably no struggle for control of a private corporation was so widely publicized. It may be that Young was fighting his style of fight and wanted it that way in order to stir up the road's stockholders. There is no way of proving this, but until Young came along vowing to take over the managerial reins of the New York Central, there was no surface indication of any seething rebellious mood against the manner in which William White, as president of the road, was managing its affairs.

Apparently, there was dissatisfaction among some of the stockholders and these were willing to throw in their lot with the Young forces. As a result, the Young group rolled up more than enough stockholders' votes, aided by the more than one million shares they held, to put Central's management into the hands of Young and his board of directors. Mr. Young's confidence in his ability to make good is backed up by The Alleghany-Young-Kirby Ownership Boards' investment of about $27 million in Central's stock.

One of Young's first moves after being installed as dollar-a-year chairman of the board of N. Y. Central was to effect the election of Alfred E. Perlman, Denver & Rio Grande Western Railroad Executive Vice President, to the Presidency of N. Y. Central. Mr. Perlman has pioneered in many fields of railroad modernization and is credited with much of the success the D. & R. G. W., has achieved since its reorganization in 1947. On his record as a railroad man, his selection to fill the presidency of Central appears to be logical. He will, however, along with Mr. Young as Board Chairman have to contend with the same problems with which Mr. White wrestled. Principally, these are an unprofitable passenger business and some $1 billion in funded debt, creating heavy fixed charges.

Recent Proxy Contests for Control

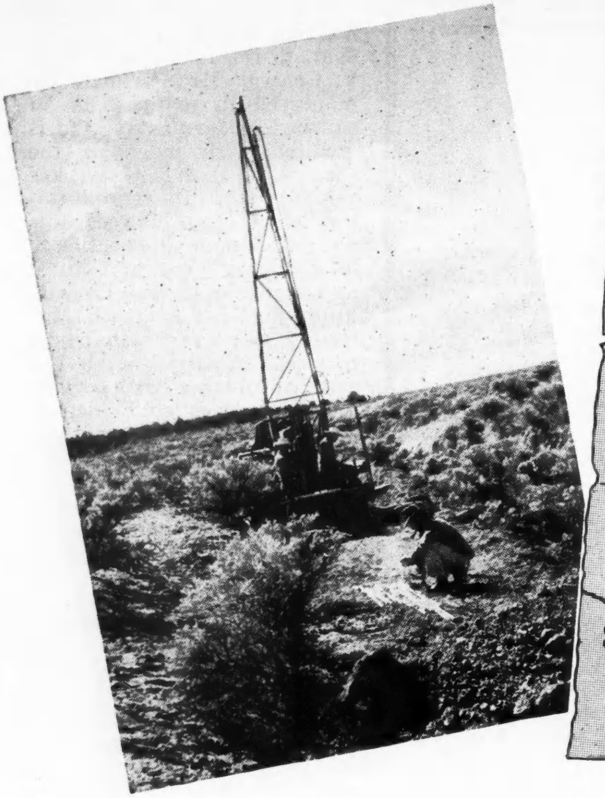
- American Woolen Co.
- Central of Georgia Ry.
- Cornell-Dubilier Electric
- Decca Records, Inc.
- Lehigh Valley Coal Corp.
- Minneapolis & St. Louis Ry.
- New York Central Railroad
- New York, New Haven & Hartford R.R.
- Peabody Coal Co.

Other Recent Contests

- ACF Industries (American Car & Foundry
- American Hawaiian Steamship
- International Hydro-Electric
- International Telephone & Telegraph

Mr. Young is sanguine in his belief that these and other problems can be wiped out by new management policies. For example, Central has vast real estate holdings in Manhattan and elsewhere. These include Grand Central Terminal, the Waldorf-Astoria, Commodore, Biltmore, Roosevelt, Park Lane and Barclay hotels, a number of apartment houses along New York's Park Avenue, and the large office building at 230 Park Avenue. Among Mr. Young's ideas is the sale of certain, if not all, of the real estate in New York and elsewhere, applying the proceeds to buy back outstanding bonds, thus reducing the amount of outstanding funded debt and making material inroads on annual fixed charges. His other plans embrace the adoption of "Train X," a low-slung, lightweight train of cars that (*Continued on page* 481)

A view of the main session of the New York Central's Stockholders' meeting, one of the most sensational in history. The outcome showed what a determined group of shareowners can do to effect a change in management.



Uranium Craze

By HOWARD WINGATE

History repeats itself. The discovery of gold at Sutter's Creek caused a madness among men that sent them racing across a continent, hoping to amass a fortune from the yellow metal. Later on, this same madness overtook men when news out of the north told of gold being discovered in the Klondike. Some of those who started out for California in high hope never arrived; their bones gradually whitened under the prairie sun. And there were some who, heading for the gold in northern Canada, found a final resting place under the snows of the Yukon territory.

Now there is a new lure, still yellow—a bright canary yellow. This is uranium concentrate. Again, as in the days of Sutter's Creek and the Klondike which were replete with tales of sudden wealth, stories are being heard of fabulous fortunes made practically overnight through uranium discoveries.

Most of these modern tales can be discounted, although one does stand out. That's the one about the geologist-prospector Charles Steen who, it is alleged, tramped hungrily over the rugged terrain of the Utah section of the Colorado Plateau in search of a uranium deposit while his wife, upheld by faith and hope, along with the four Steen boys managed to keep body and soul together on what little funds might be available. Steen, being a geologist, probably had a good idea of the possibilities of success. In any event, he came through with a discovery in a district, near Moab, Utah, that is now considered one of the richest uranium areas on the Plateau, and regarded as the major domestic source of the mineral. That discovery was made two years ago. Since then, Charles Steen, now tagged as the "Cinderella man" of uranium is reputed to have become a millionaire.

The Fever Rages

This is the type of story that sets men, and women too, yearning and dreaming of affluence or, if not that, then a more stable state of financial independence that will afford the things they've wanted for themselves or others, but which they have had to forego. As a result, uranium fever has afflicted men throughout the world or wherever they have read or heard about atomic weapons, nuclear energy, or uranium's unique physical property of radioactivity and its many far-reaching and important uses.

In this country, men with a thorough to fair knowledge of geology, as well as others who have never before shown any interest in the earth except to dig for fishing worms or choose a spot for a summer picnic, are out with and without Geiger

counters looking for uranium deposits. Less hardy souls, and those tied to work benches, desks, or other places, also touched by the fever, have been zealously searching for ways and means to participate in the uranium "rush." For these, the available avenue is the purchase of equities of companies owning uranium deposits.

Of such companies there appears to be no end. Since the beginning of this year, more than 43 companies have completed registration for sale of uranium stocks in the state of Utah, and at least 10 more have applications pending with the Utah Securities Commission. In Salt Lake City, the center of activity in uranium stocks, fifty or more issues are being traded in at prices ranging from one cent to several dollars per share. By the time you read this article, the list will probably be added to by new offerings at prices anywhere from one cent a share up. The majority of the newer companies whose stocks are being "promoted" are capitalized at less than \$300,000, many of them at \$50,000 to \$100,000 each and therefore, not subject to registration with the Federal Securities and Exchange Commission. Up to now promoters have encountered little sales resistance on the part of the public—housewives, mailmen, truck drivers, office workers, doctors, dentists, and others from all walks of life with a few dollars in savings—who have been buying the stock certificates of these companies in much the same fashion as they would buy a sweepstake ticket. As a matter of fact, the sweepstake ticket might have a better chance of "paying off."

In Canada also, the promoters of uranium stocks are flooding the U. S. mails with offering circulars, some of which contain little, if any, information that would enable a reader to judge the merits of the companies whose stocks they are selling. Unfortunately, the public craze for "uranium" stocks has brought back halcyon days for the unscrupulous stock promoter. "Sucker" lists have been revived and new ones compiled by those operating in the Provinces as well as in this country who are more concerned with making a "fast dollar" by stock selling than in financing a legitimate enterprise.

Important Companies Active in Uranium

Company	Div. Rate	1953-1954 Price Range	Recent Price	Yield
Anaconda Copper Mining	\$ 3.00	45¾-29	38	7.8%
Atchison, Topeka & Santa Fe	7.00	112¾-86	111½	6.2
Climax Molybdenum	3.00	50 -33⅛	48⅛	6.2
Food Machinery & Chem.	2.00	45¾-33¼	45¼	4.4
Homestake Mining	1.60	43¾-32⅞	42¼	3.7
New Jersey Zinc	1.25	60¾-36½	42	2.9
Union Carbide & Carbon	2.50	85 -61½	85	2.9
Vanadium Corp.	2.40	61⅜-30¼	57	4.2

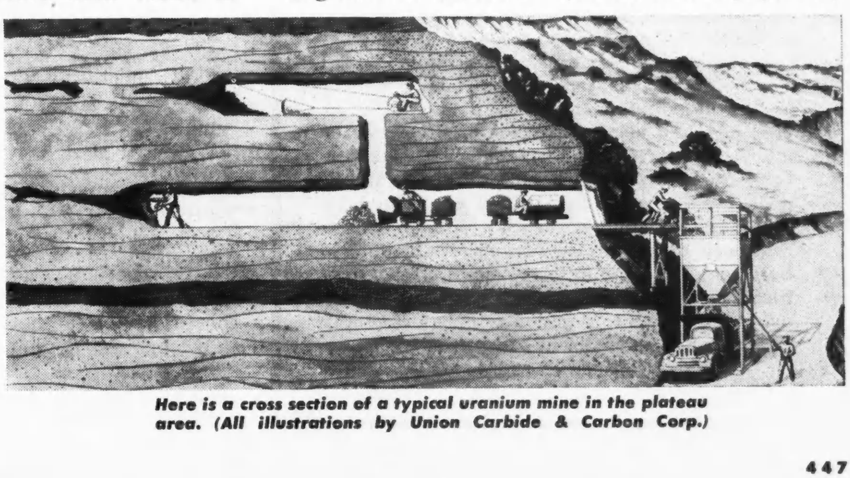
Uranium Ore Plentiful

Uranium deposits are far from being a rarity. Over 100 uranium-bearing minerals are now known to exist and deposits of uranium alone or in combination with other minerals have been found in countries throughout the world. Many uranium claims, however, may be staked in areas that on quick examination appear to be profitable. Still not all of them, upon being diamond drilled, will prove to contain sufficient ore bodies to justify mining activity. Where diamond drilling does prove up ore bodies, other factors must be considered. Among these are: the uranium content and whether it is in combination with other minerals; cost of extraction, availability of water and power supplies and the distance from uranium processing mills. Some of these data are withheld from the public by rulings of the Atomic Energy Commission. These include quantities, if any, of ores produced, indicated reserves and exact measurements of uranium content.

Obviously, lacking this information because of AEC restrictions, a would-be purchaser of a producing uranium mining company stock would have to buy into the company blindly. Moreover, in many instances where diamond drilling has indicated good ore reserves, the calculations have turned out to be incorrect. Some veins have yielded good to high grade ore only in spots, the deposits varying in thickness and depth, follow an erratic course through waste rock to suddenly fault, disappearing completely. At the present time, there are about 500 producing mines in the Colorado Plateau, most of which are two to four-man operations. When the deposits being worked are exhausted, these miners will move on to other properties. Many of the other mines in the Plateau area are owned by some of the larger mining companies, and are mined through contractors.

Incidentally, where diamond drilling is undertaken to block out ore reserves, the cost is not much under \$50,000, a sum not more, or not much more, than the entire outstanding capitalization of some of the recently formed companies, the majority of which have been careful to include the word "uranium" in their corporate titles, now offering their shares to the public. Perhaps one or two, maybe three or more, will find worth-while uranium ore bodies. But which ones? The others will fail to locate deposits or "go broke" trying which means that their stock certificates so avidly sought after by today's uranium crazed public will become worthless paper.

Right now there is no *(Please turn to page 482)*



Here is a cross section of a typical uranium mine in the plateau area. (All illustrations by Union Carbide & Carbon Corp.)

POLITICAL "BLOCS"

By "VERITAS"

ADDED to the list of politically strong blocs casually labeled "potentially the strongest in the United States," is the American Real Property Federation. ARPF affixed this tag on itself in June meetings at Pittsburgh and, without doubt, the real estate men will be hearing from the veterans and labor organizations—two more of the potentially strongest political blocs in the United States. Inheritance and realty taxes will eventually wipe out privately-owned property, as it's doing in England, runs the rallying cry. The federation wants federal taxes and spending cut to the bone. If the real estate men can gain as members all who subscribe to that, the "strongest bloc" label will hold good. Even with the word "potentially" dropped.

PRACTICAL test is invited in the Federation's petition to congress for legislation to permit local property taxes to be deducted in full from federal income tax payment. For example a first-bracket homeowner paying $200 municipal realty tax now, deducts $40 from his federal payment; the federation would have him deduct the full $200. Theory is that most other levies may be controlled by controlling enjoyment of the things to which they are affixed, whereas property cannot be so handled; also that congress will spend less if it has less to spend. There is no present indication that congress is either impressed by the logic or fearful of the potentially most powerful bloc of votes.

PATERNALISTIC was one of the milder terms of criticism aimed at the GI Bill of Rights when it was pending in congress. This month it enters upon its 11th year and there seems to be no early terminal point. The GI Bill combines most of the things which made up the New Deal and some which were suggested but didn't get by congress. It extended to veterans an even more inviting home financing plan than the HOLC or its adjuncts offered—usually after the damage was done. It provided free education and occupational training, swelled the ranks of small business, brought federal income taxes estimated at 1 billion more than the vets ordinarily would pay if not lifted by educational and training programs into higher brackets. Abuses were inconsiderable.

DEMOCRATIC party campaign line is becoming clear: there is no Eisenhower program and to the extent that congress legislates it is merely following the democratic New Deal-Fair Deal formula—social security expansion, low-cost housing, continuance of the reciprocal trade treaty program.

WASHINGTON SEES:

While there still is the time before congressional adjournment, there isn't the disposition on the part of the lawmakers to firm up policy on several major fronts and the result will be confusion carried along into the next gathering of the congressmen.

Possibly nobody is to blame. It could be that the subjects are too big, too controversial for finalities. But it is certain that the public will not read the final record of the 83rd Congress with any conviction that real progress has been made. The farm problem has been toyed with and is just about at the point where it started; far from departing abruptly from the Roosevelt-Truman program, thinking now centers more on the Brannan Plan than it did when the democrats were in office. Rigid vs. flexible price supports have been temporized with, not decided.

The policy toward foreign relations has thus far squared away with the Eisenhower program but again there is a policy built on sand. A one-year extension of the reciprocal trade agreements bill was congress' method of avoidance; it must come up again next year and there's nothing on the horizon to indicate there will be better-developed facts on which to proceed, than exist now. As of today, it looks like a 1955 one-year extender. Foreign aid seems to be the part of national policy that is wholly bi-partisan. But it must be said that had Ike not spoken firmly for continuing assistance to friendly nations there would have been cuts, damaging to this country's prestige and friendships. There still is undercurrent which requires this subject to be listed as only temporarily solved. Labor-management policy was left in the air, probably with little loss to either side, but it will be built into a major legislative by-pass.

As We Go To Press

Republican leadership on both sides of the Capitol fully realizes the party cannot afford the luxury of diversionary antics if it is to have success in the political campaigns which seem to be moving up with increasing speed. To suggest that the democrats as a whole lost anything by reason of the McCarthy hearings would be to express a thesis difficult, if not impossible, to maintain. With every principal in the case, above the employee level, a republican office holder, the GOP obviously must write the results down as loss of prestige. Insofar as splitting the republican family, however, it didn't widen the cleavage any, didn't weaken or strengthen the ranks of either; few who were on the fence jumped in either direction.

Where the harm may come is in the encouragement of defection from the White House. Ordinarily it might be expected that at least the elder statesmen of the party would plunge into the argument when the prerogatives of the first republican President in 20 years were challenged. It didn't happen; in fact Committee Chairman Mundt verbosely defended the transmission of "inside information" with frequent references to autobiographical notes. It is not to be wondered, then, that votes like the one-year extension of the reciprocal trade agreements bill, asked by Ike, showed a larger proportion of democrats than of republicans, supporting the President.

Suggestion might be made that the solid south returned to its traditional free trade instinct. And that is true. But there is a measure of grief in the fact that cold calculations show 20 per cent of the negative votes in the house came from the republican stronghold of Pennsylvania. They reflected anxiety in the coal fields, a belief that competing products will come from abroad and worsen the economic plight of the miner. The dairy farm belt around Wisconsin and Minnesota has no such worry, in fact hopes for a freer overseas trade that would move surplus farm commodities and maintain prices reasonably high. But those states, overwhelmingly republican, turned in 8 of the 62 negative votes. The farm revolt has not ended!

The Department of Commerce is concerned at the lack of uniformity in planning to defend industrial plants against enemy attack and has set up a textbook for the guidance to private security police. The booklet is pocket-size; it is intended more as an outline than a blueprint. But 25 industry divisions of the Business and Defense Services Administration are offering the services of experts to consult on the specialized problems of varying plant construction and assembly line. There are no parades, gaudy uniforms, or pep talks in the minds of the government people. Their concern is insurance of plant and personnel protection to insure continuity of management and operations in the event of bombing attack.

Majority Leader William R. Knowland remains almost alone in his optimism that congress may adjourn July 31. Colleagues tell him the only way that can be done is to ignore completely several measures of economic and political interest, but he says there's a simpler formula: work. Knowland hasn't come out flatly with the charge that democrats are employing slow-down tactics, as accused White House Adviser Bernard M. Shanley. But he thinks there is shirking -- on both sides of the separating party aisle. It is a certainty that neither Knowland nor the house leader, Rep. Charles Halleck, would second Shanley's statement that democrats have voted "almost solidly" against major portions of Ike's program. That was true only of the motion to recommit Taft-Hartley Act amendments.

As time nears for adjournment of congress it isn't the bills of national importance that delay proceedings but those of concern to individual blocs of congressmen. They vote "in line" through the early months on tacit promises that their favored little projects will come up "when the big things are out of the way." Comes the time

when votes of these small groups could mean legislative life or death to a major platform promise's fulfillment. Then the cards go on the table and the country begins hearing about provincial causes, wondering why their lawmakers spend time on such trivial matters. They are trivial, but they mean needed votes.

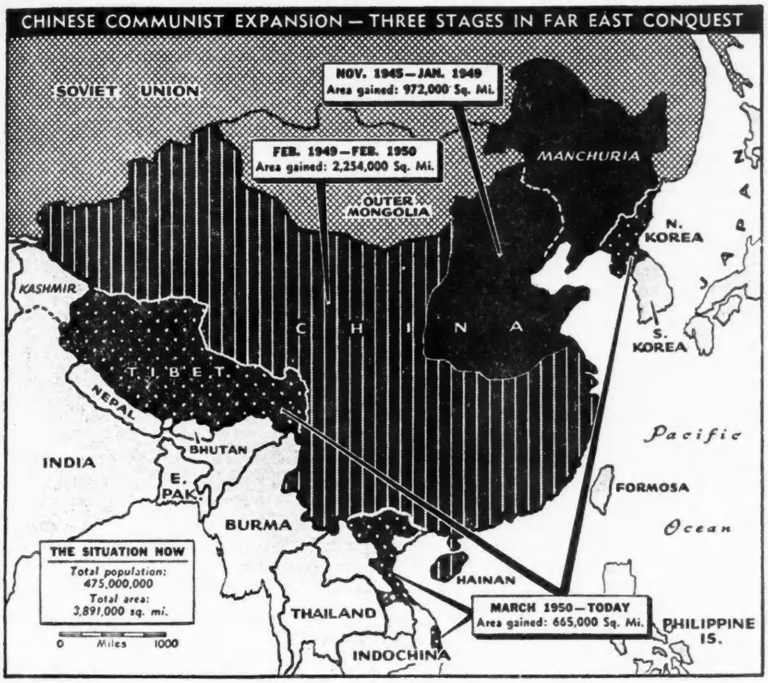
While it is conceded all around that anything that affects the market for 23 per cent of the agricultural production is a matter of great moment, ag. economists cannot grasp the life-or-death political evaluation of the warfare over flexible vs. rigid price supports. Congressmen are acting as if this were the only issue in the farm belt. It counts, but to the vast majority of voting farm people it really adds up to little or nothing. Official figures show that only 23 per cent of the national cash receipts from farm marketings in 1952 came from basic commodities. Marketings of commodities with no price supports produced 56 per cent of all farm cash receipts. And 21 per cent of cash receipts from products under flexible supports already. Moreover, 56 per cent of total receipts were from livestock, daily products and poultry, the producers of which incur higher costs because the feeds they buy are supported at high prices.

Staggering is hardly the word for the cost of Commodity Credit Corporation-held tonnage ($6,229,489,000) or for the inventory itself: there is enough wheat to provide every man, woman and child in the United States and in the armed forces overseas, with a loaf of bread every day for 364 days, and enough tobacco to provide the nation's sixty million cigarette smokers with 183 packs of cigarettes each. Inventories of butter and cheese would supply every member of the population with about two pounds each and cottonseed oil inventories are sufficient to supply every one with five pounds of margarine. The Council of State Chambers of Commerce says unhappily: "The chronology of events since 1948 indicates that there has been a recurring clash between the economics and the politics of the farm price situation with politics winning out to date."

The Treasury has been given a "breather" on raising the national debt limit. Income tax payments due June 15 have been up to expectations and will provide fuel to keep the machinery of government running. But this only postpones the inevitable: an increase from $275 to $290 billions in the ceiling. Many months ago, the House of Representatives gave the higher borrowing permissive a two-to-one vote. The senate has postponed action, partly to use nearness to the debt limit as a weapon to cut down spending of money on hand, to force economizing on new appropriations, and limiting borrowings. That the upper house sooner or later must concur in the lower branch's action is not disputed. There's no party politics in the delay; the nearer the positive action is to Election Day the more the impact will be felt. But the GOP is a Johnny-come-lately in the business of raising national debt limits, should have little to fear on this campaign issue.

The south and the west and not the populous northeast and midwest will be in the drivers seat in congress if the democrats win control of either or both houses in the November election. That's because committee chairmanships will drop into those states and if anybody doubts the dominance of a chairman over a committee of congress he need but review the happenings of the spring session in the senate's caucus room. The chairman has a veto authority over bills second only to the President's; he can schedule for hearing, or reject, almost at will. The numerous favors he may hand out, and sanctions he may impose, in that regard makes a working majority of his fellows almost always at his call.

The seniority rule still governs committee chairmanships. Any examination of the congressional roster will impress immediately the fact that the career members come principally from the southern states. Few of them are juniors. The breakaway from democratic tradition to support Ike didn't make a dent in this situation insofar as congressional posts go. Only one eastern democrat would be in line for a major promotion should the democrats win: Senator Theodore F. Green of Rhode Island, who'd move up to foreign relations chief. He is a veteran, of course, and he's 86 years old. But he still plays a passable game of tennis and while walking to the Capitol daily frequently hand salutes colleagues 50 years his junior who are taxiing to work.



N. Y. Times

Chinese Trade Offer To The West

By V. L. HOROTH

The British live by trade and miss no opportunity to develop it. This is probably how one can best justify the meeting of some of the top members of the British delegation in Geneva last month with those of the Communist China. For reasons of propaganda and prestige, the Chinese Communists were quite eager to engage in these trade talks, and as the Manchester Guardian reported, both parties "envisaged spectacular development of trade." Actually, however, nothing much has happened as yet. Red China showed a willingness to trade some of her products for the embargo-free goods which she was not too eager to do before. The two countries agreed to trade with each other through officially organized bodies, rather than be dependent upon hastily organized missions. The Chinese may eventually send a permanent mission to London on the style of the Amtorg. On the British side, the individual exporter will be assisted by a special committee organized by the Federation of British Industries, London Chamber of Commerce, and the National Union of Manufacturers.

The British are not the only ones who are falling for the glittering prospects – on surface – of China trade which, to be sure, was never important because of its volume, but rather because of its future possibilities. German traders have been after Red Chinese trade for some time. In 1953, there was a spectacular increase in German exports to over nine times the 1952 figure, and German exports to Hongkong increased about 70 per cent. Most of the German trade with China is apparently negotiated with the aid of the Chinese Export-Import Corporation and a trade mission in East Berlin.

To many Japanese the trading with China and particularly with their old territory, Manchuria, has been in the nature of a panacea for their country's present ills. The Japanese bear it hard that, in order to please the United States, they have been obliged to restrict their sales to China more strictly than to other communist-dominated areas. Even the French talk about more trade with Red China after the fighting in Indo-China stops, and hope has been expressed by some of the members of the Mendès-France Government that the embargo will be liberalized.

In view of all this jockeying for China's trade and the avowed willingness of Red China to trade with the West, it is natural for the American trader to ask at this point: Are we missing something? Are other countries stealing a march on us because we chose to believe that it is immoral and treasonable to carry on a trade with a communist aggressor country? Most of us in the United States believe that short of a destruction of the Communist regime in

Table I – Mainland (Communist) China: Trade by Principal Commodities

	1936 (percent)	1950 (percent)
EXPORTS:		
Soybeans and bean cake	20.7	16.0
Tung oil	6.4	7.0
Hog bristles	2.5	6.7
Fats and oils	3.7	5.4
Eggs and egg products	3.8	4.7
Peanuts	1.7	4.7
Carpet wool	1.4	4.1
Tea, green and black	2.6	3.3
Tungsten ore	.8	1.4
Tin	2.3	1.2
Coal	3.2	1.2
All others	50.9	44.3
Total	100.0	100.0
IMPORTS:		
Cotton, raw	3.3	18.0
Rubber, crude	.6	11.5
Petroleum and pdts.	5.9	8.4
Chemicals	4.2	6.3
Pharmaceuticals	1.1	4.0
Machinery	5.6	8.3
Vehicles and vessels	5.9	3.2
Iron and steel	8.3	11.3
Sugar	3.2	2.0
All others	61.9	27.0
Total	100.0	100.0

Source: U.N. publications.

China by means of war, we must, as Representative Walter H. Judd wrote recently in his special report to Congress, "carry on a constant and simultaneous combination of pressures from within and from without in order to intensify the internal problems of the Chinese Communists."

The British, the Japanese, and Western Europeans in general have, of course, no qualms about trading with Red China. Their view is that the embargo has proved generally ineffective in preventing the communist consolidation and that Peiping is here to stay. They believe that Red China can be more effectively persuaded to refrain from further aggression via regular diplomatic and trade relations than by harrassment and constant pressure. However, this is not a story to discuss the moral issues involved in the American and West European attitude on the subject or to determine whose view is correct. Rather this is an appraisal of the trade opportunities in China from the viewpoint of the practical trader and economist.

How big is China's foreign trade at present? Only intelligent guesses are available since the bulk of the trade is now with the communist orbit on which no straight-forward data is available. Even the trade with the Free World is difficult to determine because a great deal of it consists of barter transactions on which artificial valuations are placed. However, here are a few statistics, for those who like them.

During the immediate postwar years, 1946-47, when the Kuomintang still controlled a greater part of the country, exports from China (including Manchuria) averaged about $200 million a year and imports into China nearly $700 million. In 1949, when the communists consolidated their power and China no longer benefitted from American aid, exports were stepped up to about $450 million and the imports were apparently about the same. Thereafter, trade with the Free World was affected by the embargo. By 1952, imports from the Free World dropped to about $150 million and the exports to about $330 million. Meanwhile, however, trade with the communist orbit expanded sharply and, by 1952, according to Peiping, China shipped to other communist areas about five times as much as in 1949.

The best estimate available (see table) places the combined Chinese exports and imports in 1952 at $2.4 billion and in 1953 at $2.5 billion. Of the latter figure $1.8 billion represented the value of goods exchanged between China and the communist orbit countries and some $600 million the goods exchanged with the Free World. The direct trade between Red China and the United States was less than one million that year.

What China is Buying and What She Wants

With the exception of Ceylon which ships to China the strategic material, rubber, in exchange for rice, the Free World trades officially only in nonstrategic materials. There is, of course, some contraband trade, but contrary to general opinion this illegal trade is said to be relatively small, though no doubt important for China. The Free World has been sending to Communist China chiefly cotton, drugs, textile machinery, dyestuffs, watches, fertilizers, small cars, medical laboratory equipment and some tropical products such as coffee. To pay for these imports China has been exporting coal, tungsten, tea, silk, soyabean products, tung oil, egg products, oil seeds, hair bristles, rice, carpet wool, skins, furs, feathers, and some textiles.

Trade with the communist orbit involves the goods needed in the conduct of the war and in the carrying out of the Five-Year Plan: petroleum, military supplies, heavy machinery, machine tools, trucks, power plants, railway rolling stock, heavy chemicals, and others. A recent report from Hong Kong, published in the Far Eastern Economic Review comments:

> *Many of the factories, mines and different enterprises including China's first Automatic Seamless Tubing Mill in Anshan, the giant Fushin Open-Cut Coal Mine and China's First Automatic Flax Mill in Harbin, have been built or undergone reconstruction with Soviet technical and material aid. China has also imported large quantities of machine tools, motors, rotary drills, cranes, building equipment, and vehicles and other capital goods from Poland, the German Democratic Republic, Czechoslovakia, Rumania, Hungary and Bulgaria.*
>
> *At the same time, China has exported important minerals and soya bean, peanuts, vegetable oil, oil-bearing seeds, meat, tobacco, fruits, wool, raw silk, silk goods, and leather according to the needs of the Soviet Union and People's Democracies.*

Under last year's Sino-Soviet Pact, Russia is responsible for about 140 large-scale engineering projects. This, however, is not much for so large a country as China. Rapid expansion of heavy industry as envisaged by the Five-Year Plan, the extension of the railway system, and the exploitation of China's mineral wealth requires and will continue to require large quantities of capital goods. To accomplish this result, China's trade with the Free World would have to be stepped up also and that is apparently

what the Chinese delegates in Geneva tried to impress on the British. As the Manchester Guardian Weekly reports:

> *They [the Chinese Communist delegates] stressed first and foremost capital equipment for their development programs, particularly power plant, electrical equipment of all kinds, machine tools, locomotives, signalling and other railway equipment, commercial road vehicles, and ships . . . They showed little interest in specialized ships such as whaling vessels, factory ships, etc. Steel they would want in large quantities, especially steelplates, girders, and constructional steel of all types, steel pipes and tubes, and also large quantities of tinplate . . . On textile machinery they were not sure — they make their own. On agricultural machinery, too, they were uncertain . . . but they would want large quantities of chemicals of all kinds, fertilizers, drugs and "raw materials" for textiles. This phase, on elucidation, meant wool tops and rayon yarn, while they were also interested in extending their purchases of raw cotton, which they are now getting from Pakistan . . . They are not interested in piece goods or in any types of clothing, or in leather or footwear, but they said there would be a definite opening for the shipment of a wide range of other types of consumer goods. Scientific instruments they would want, surgical and dental instruments, including dental chairs.*

How the Imports Will be Paid For

The most interesting part of the Sino-British discussions as Hon. Harold Wilson, M.P., describes them, concerned the financing of trade. The Chinese communists reject the idea of loans — probably because they cannot hope to get them anyhow. They want to pay "as they go," very much as the Russians did in the inter-war period. Hence the purchases of the multitude of products that Red China expects to buy from the Free World depend primarily upon success in selling her own goods. Some foreign exchange is also expected to be created by such invisible receipts as emigrant remittances. Furthermore in the last two years China has ceased to import wheat, tobacco, burlap and other goods that figure high in her imports. This has released purchasing power for imports of industrial equipment and raw materials for new industries.

Apart from such traditional items as soybeans, vegetable oil seeds, hog bristles, and egg products, the Chinese Communists hope to develop the trade in certain chemicals, such as menthol crystals, and a number of foodstuffs. They seem to be especially anxious to promote exports of pork products and are also offering rice and other cereals, tobacco leaf, carpets, handicrafts, furs, feathers, and other products. Tungsten and tin were not offered, both products being needed for "internal requirements" of China and the communist bloc countries.

Everything considered, it is obvious that the products that Communist China offers to the Free World are rather limited in number and with the exception of hog bristles and tung oil easily obtainable in other parts of the Free World in more than sufficient quantities. Hence it is rather difficult to visualize how the trade with China could reach "spectacular proportions," particularly if trading is confined to barter.

Table II — U. S. Trade with Mainland China (including Manchuria)

(In Millions of Dollars)

	Exports to China	Imports from China
1931-35 avg.	63	48
1936-40 avg.	53	76
1946	465	93
1947	354	117
1948	273	120
1949	83	107
1950	45	146
1951	......	47
1952	......	25
1953	......	1

There is, of course, the possibility that Red China may be successful in due time in developing trade with Asiatic Countries and earn enough dollars and sterling for them. Japan is a ready customer for Manchurian timber, iron ore, copper ore, coal, and farm products, but apparently Red China has not enough of these products to export. Also, in a year or two, China may have textiles and other manufactures for export in which case trade with Indonesia, Burma, Indo-China, and other nearby countries is likely to pick up.

No Gain Seen in U. S. Trading with Red China Now

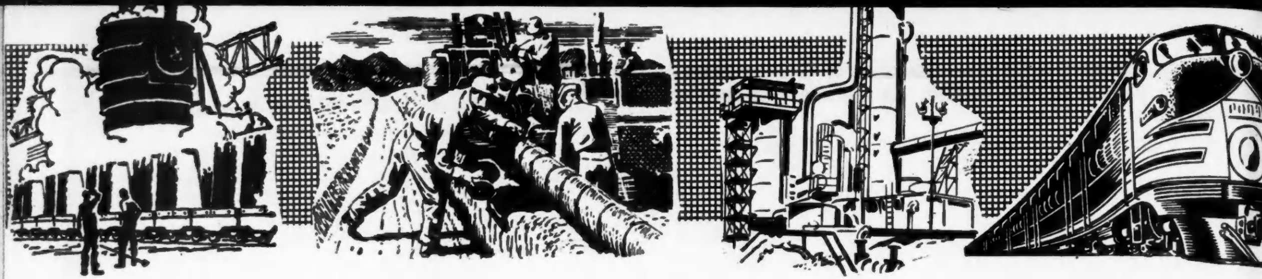
As has already been pointed out, China has never been a lucrative market for American exports, to the extent that Argentina used to be or Venezuela is at present. It is the (*Please turn to page* 496)

Table III — Communist China: Production & Trade Statistics

	Pre-1949 Peak	1949	1951	1952
PRODUCTION				
Cotton (000 tons)	825	430	1,080	1,290
Food (000,000 tons)	140	110	141	151
Rice (pre-1949 peak =—100)	100	75	99	110
Electricity (pre-1949 peak = 100)	100	......	117	143
Petroleum (pre-1949 peak = 100)	100	......	82	119
Steel (pre-1949 peak = 100)	100	......	......	148
Cement (pre-1949 peak = 100)	100	......	115	133
Paper (pre-1949 peak = 100)	100	......	150	223
Coal pre-1949 peak = 100)	100	......	77	95
TRADE (000,000 $)	1949	1950	1951	1952
EXPORTS TO:				
Free World	450	470	470	330
Communist Orbit	n.a.	155	500	810
Total	450	625	970	1,140
IMPORTS FROM:				
Free World	430	410	440	150
Communist Orbit	n.a.	n.a.	n.a.	1,100
				1,250

n.a.—Not available.

Sources: U.N. Economic Bulletin for Asia and the Far East; Far Eastern Economic Review.



1954 Midyear Re-appraisals of Values; Earnings and Dividend Forecasts

★ ★ ★

Prospects and Ratings for Railroad — Merchandising — Textile Stocks

Part I

During the past half year, investors have been confronted with the seeming paradox of rising stock market values and, to say the least, extreme variations in corporate earnings. Upon closer examination, the paradox does not seem so much of a paradox, after all, as the market advance, in the main, has been confined to stocks of individual companies with the most impressive showing in earnings and those which give the greatest prospect of continuing this performance.

Under current changing conditions in industry, the market has become more selective than ever as those companies which show the greatest effect of rising competition and mixed general economic conditions commence to reflect this trend in falling earnings, in contrast to companies which have been able to make a favorable showing notwithstanding. It is, therefore, not surprising that in a situation which reflects the ebbing of the abnormal prosperity of the years 1950-53, investors should adopt a much more discriminating attitude towards securities.

It goes without saying that investors must pay increasing attention to changes in the affairs of their companies, especially where they may signify that dividend maintenance is less secure than formerly. By the same token, profitable opportunities for income and appreciation may await investors who are closely in touch with the affairs of companies in a favorable position. Obviously, in a mixed situation such as the present, investors who obtain the maximum information available are in the best position to protect and advance their interests.

In order to assist our subscribers to take the fullest advantage of our sources of information and our interpretation of these facts, we herewith inaugurate our traditional Mid-year Dividend Forecast. This will appear in six successive issues and will cover in detail the major industries listed in the accompanying "box." Current and prospective trends in each industry are described in detail, together with an analysis of the basic factors influencing these trends. In addition, we present a tabulation containing the most important data required by the investor on each of the leading companies in each industry in order that he may conveniently acquaint himself with their background. These compilations are also useful to investors desiring to make comparisons between the various companies of the respective industries.

Each company is briefly commented on, giving the highlights of their position and outlook. Following these comments is an investment rating of each security. The key to these ratings is as follows: A, High-Grade; B, Good; C, Fair and D, Poor. The ratings are based entirely on investment values according to the fundamental outlook for each company and as reflected by its record over a period of years in varying business conditions.

Current earnings trends are indicated by numerals attached to the lettered investment rating. Thus, B^1 indicates stock of good quality with rising earnings trend; C^2 indicates stock of fair quality with lower earnings trend. In special cases, we have marked certain stocks with an (*) indicating a preference.

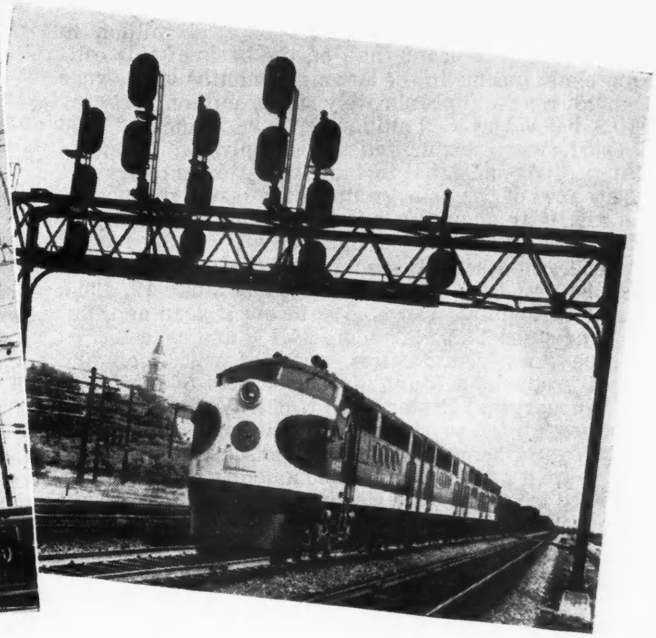
We have made every effort to make this feature as practical as possible and trust that our subscribers will derive the greatest benefit from the information we have presented. To ensure this end we suggest that readers retain the table for future reference.

Both comments and ratings are necessarily based on current conditions affecting the individual companies and as they are likely to develop in coming months. New and, possibly unexpected, developments on the specific companies will be covered in future issues and it is advisable that subscribers keep closely in touch in order to acquaint themselves with any revisions that might be required.

Industries Covered in Mid-Year Re-Appraisal

— in six consecutive issues of The Magazine:

Railroads — Merchandising — Textiles — Food & Dairy — Sugar — Beverages — Tobacco — Equipments —Rail, Elect., Farm, Office Equipment — Machinery — Specialties — Aircraft — Airlines — Bus and Shipping — Oils — Steel — Chemical — Auto & Accessories — Rubber & Tires.



Can Railroads Meet Test of 1954 Problems?

By EDWARD S. WILSON

An old Cockney song proclaims that "it's the rich what gets the pleasure, it's the poor that gets the blame." This axiom certainly held true of the nation's railroads at mid-year. The "rich," i.e., the Southern and Western carriers, were still enjoying the pleasure of good earnings, albeit at a lower rate than last year's boom level, while the "poor," the Eastern roads and the marginal Northwestern roads, were getting the blame for sharply declining earnings and, in some cases, red ink. This relative earnings trend, which was previously mentioned in our article of February 20, is graphically illustrated by table A.

This earnings performance has been borne out very well by the relative market action of individual railroad common stocks thus far in 1954. We are more strongly convinced than ever of the justification of the three quality classifications of ten issues each given in our previous article. These were: 1, Good (Atchison, Topeka & Santa Fe; Atlantic Coast Line; Chicago, Rock Island & Pacific; Illinois Central; Kansas City Southern; Louisville & Nashville; Seaboard Air Line; Southern Railway; Union Pacific; and Western Pacific); 2, Average (Baltimore & Ohio; Chesapeake & Ohio; Erie; Great Northern; Gulf, Mobile & Ohio; New York, Chicago & St. Louis; Northern Pacific; Reading; St. Louis-San Francisco and Southern Pacific); and 3, Poor (Boston & Maine; Chicago, Milwaukee, St. Paul & Pacific; Chicago & North Western; Delaware, Lackawanna & Western; Lehigh Valley; New York Central; New York, New Haven & Hartford; Norfolk & Western; Pennsylvania; and Virginian).

Comparison of Group Action

How have these three groups fared thus far in 1954? In the first four months, gross revenues, net operating income and net income of the good group, which comprises the cream of the southern and western roads, declined 12%, 24% and 25%, respectively, below 1953 levels. The average group suffered declines of 14%, 36% and 45%, while for the poor group, gross revenues dropped 14%, net operating income, 72%, and a net loss of $10.7 million was incurred vs. a net income of $36.4 million in the first four months of 1953. This performance was reflected clearly in the bloodless verdict of the market place. In the four months between February 15 and June 15, the average market price of the good group advanced 13% while the Dow-Jones railroad average rose only 7%. The prices of the average group increased less than 1% while the poor group declined 8%, with each of the ten common stocks in the latter classification selling below the February 15 level on June 15.

This record, of course, is history. The important question now is the earnings and market outlook for these individual roads during the balance of 1954.

Current informed estimates of net income of Class 1 railroads in 1954 run about $675 million as compared with the post-war high of $871 million in 1953. It is significant that, on the basis of this estimate, net income in the last eight months of the year would reach approximately $550 million, or only 10% below the $609 million reported in the like 1953 period, when traffic fell off sharply beginning in August. As indicated in table B, estimated earnings per share of the poor group in the last eight months of the year should compare the most favorably of the three groups with 1953 levels:

There is a solid reason for this relative showing. In the first twenty-four weeks ended June 19, 1954, total carloadings ran 13.5% below a year ago, but coal dropped 14.5%, iron ore 34.7% and coke 42.7%. These three commodities, together with iron and steel products, account for a good part of the traffic of the marginal Eastern and North Western carriers making up the poor group. On the other hand, carloadings of manufactured and miscellaneous goods, the largest and highest rate commodity classification, showed a year-to-year decline of only 12.2%, forest products were off 9.8% and grain was up 0.4%.

Outlook for Heavy Traffic

Barring a steel strike, movement of heavy industry products (coal, iron ore, coke and iron and steel products) should show a gradual pick-up as steel consumers' inventories have been pretty well worked down in the past six months. Forest products traffic has benefited from the surprisingly high level of construction activity and the grain movement, despite indicated lower crops this year, will be sustained by the large carry-over stored on line. The general consensus appears to be that business activity as a whole is rebounding slowly but steadily from the lows of mid-March. This opinion is bolstered by the fact that the Federal Reserve Board index of industrial production in May scored a month-to-month gain for the first time since last July. As previously pointed out, railroad earnings comparisons should become increasingly more favorable in the last five months of the year.

Some roads showed a tight control over operating expenses in the first four months of the year with Denver & Rio Grande in the West, Kansas City Southern in the South West, Seaboard Air Line and Southern Railway in the South and Baltimore & Ohio and Reading in the East standing out. With the bulk of wage increases to the operating employees beginning to be accrued in the first two months of the year, these increases are more and more being offset by reductions in the labor force. The recommendations of the President's emergency fact-finding board in May regarding fringe benefits for the non-operating brotherhoods followed fairly closely the pattern of the previous settlements from a dollar cost standpoint. However, early in June the firemen's and trainmen's groups, which had settled last January and December, respectively, made new demands for wage increases and fringe benefits. Many railroads, such as the Atlantic Coast Line, have found that the "fat" resulting from heavy maintenance programs over the past few years has permitted substantial cuts in these outlays with no damage to the property.

Financial positions of most railroads have suffered only moderately over the past year and should be strengthened in the second half of 1954 as income tax accruals decline and capital expenditures taper off. On February 28, net working capital of Class 1 railroads amounted to $1.34 billion, including cash items of $1.8 billion, as compared with $1.5 billion and $2.1 billion, respectively, on the like 1953 date. This net working capital was equal to 2.9 times fixed and contingent interest charges of $454 million for the twelve months ended February 28, 1954.

Financial Trend

The Interstate Commerce Commission recently estimated that gross capital expenditures of Class 1 roads for additions and betterments in the first quarter declined 20% to $240 million from $300 million a year ago—road outlays of $73 million were down 9% and equipment expenditures of $167 million down 24%. For the first nine months of the year, total capital expenditures are estimated at $644 million, or 31% below the 1953 figure of $932 million. Tax savings from five-year amortization should reach a new peak this year at about $178 million as compared with $146 million in 1953.

With the Dow-Jones railroad averages having recently entered new high ground for the year above the 1952 and 1953 peaks, a continuation of the advance appears likely given any bullish ammunition in the form of better earnings comparisons. In the first half of the year, market interest in the rails was extremely selective and apparently mostly institutional in nature, concentrating upon a handful of top grade equities, such as included in our "good" list. Now, with signs of increasing public participation in the market, interest is beginning to seep down to medium grade stocks such as Baltimore & Ohio; Gulf, Mobile & Ohio; New York, Chicago & St. Louis and Southern Pacific, which appear to have favorable second half prospects.

From a strictly short term standpoint, the common stocks of marginal roads with highly leveraged capitalizations (Chicago & North Western; St. Paul and Pennsylvania) are thoroughly deflated in price and might be given a speculative play if the railroad bull market continues. However, for long term investment, good stocks such as Atchison; Denver & Rio Grande; Illinois Central; Chicago, Rock Island & Pacific; Kansas City Southern; Seaboard Air Line; Southern Railway and Union Pacific, in our opinion, offer the best opportunities for both capital appreciation and increased income return. Two of these roads (Seaboard Air Line and Southern Railway) have already raised their dividend payments this year and the others are likely candidates for future liberalization of payments. The market has paid increasing attention to good and well-secured income return in appraising railroad equities and this attitude will probably be intensified by enactment in the new tax bill of a dividend credit for individuals.

Despite the lower level of traffic and earnings, the first half year has been an exciting one for close observers of the railroad scene. The ousting in proxy battles of three managements (Minneapolis & St. Louis, New Haven and New York Central) has been a severe shock to all other railroad managements and has pointed up the need for wider stock ownership by officers and directors of the carriers and for more representative and aggressive boards of directors. The new president of the nation's second largest carrier, Alfred E. Perlman, is widely known as an extremely able and progressive operating executive. However, he faces many serious problems in the

Statistical Position of Leading Railroads

	Gross Revenues — 1st 4 Months — 1953 (Millions)	1954	Percentage Change %	— Operating Ratio — 1st 4 Months 1954	Full Year 1953	—Net Per Share*— 1st 4 Months 1954	Full Year 1953	Indicated Current Div.	Recent Price	Yield
Atchison, Top. & Santa Fe	$204.9	$172.3	—15.9%	74.6%	71.9%	$ 3.60[4]	$14.62	$ 7.00	111	6.3%
Atlantic Coast Line	62.7	57.0	— 9.0	74.3	86.1	6.75[4]	14.60	6.00	115	5.2
Baltimore & Ohio	189.0[4]	155.5[4]	—17.7[4]	81.7[4]	79.4	1.78[4]	10.02[1]	1.00	24	4.1
Boston & Maine	30.1	27.3	— 9.4	86.7	80.6	(d) 3.75	.93[1]	......	7	.....
Chesapeake & Ohio	109.8	95.3	—13.2	80.1	72.2	1.52[4]	6.04	3.00	34	8.8
Chicago, Milw., St. P. & Pac.	84.3	74.3	—11.7	87.5	84.0	1.26	2.08[1]	1.00	11	9.0
Chicago & Nor. Western	63.9	57.2	—10.3	93.7	85.9	(d) 7.94	(d) .39[1]	......	11	.....
Chicago, Rock Island & Pac.	70.7	60.8	—14.0	76.8	70.8	3.04[4]	16.07	5.00	71	7.0
Del. Lack. & West.	37.6[4]	32.6[4]	—13.3[4]	83.3[4]	77.6	.70[4]	3.94[1]	.75	14	5.3
Erie	75.3[4]	63.3[4]	—15.9[4]	79.3[4]	75.1	.89[4]	4.31[1]	1.75	17	10.2
Great Northern Ry.	96.1[4]	88.8[4]	— 7.6[4]	85.6[4]	72.7	.64[4]	9.84	2.00	29	6.8
Gulf, Mobile & Ohio	31.8	27.9	—12.1	73.7	70.9	1.93[4]	7.07[1]	2.50	32	7.8
Illinois Central	100.7	91.6	— 9.0	78.5	71.6	2.16[4]	9.30[1]	2.50	48	5.2
Kansas City Southern Sys.	33.2[4]	28.4[4]	—14.4[4]	58.1[4]	62.6	[4]4.00[5]	11.20[2]	3.00	52	5.7
Lehigh Valley	24.6	21.0	—14.6	83.4	77.5	.05[4]	4.65[1]	1.20	14	8.5
Louisville & Nashville	78.5	67.2	—14.3	81.8	72.5	3.01[4]	13.10	5.00	73	6.8
New York Central	273.6	236.7	—13.5	86.9	82.8	(d) 1.10[4]	5.27	1.00	21	4.7
N. Y., Chicago & St. Louis	69.2[4]	57.8[4]	—16.5[4]	72.3[4]	68.0	1.82[4]	7.70[1]	3.00	35	8.5
N. Y., N. H. & Hart.	54.2	49.7	— 8.3	84.6	80.6	(d) 1.74	3.74[1]	......	26	.....
Norfolk & Western	75.7[4]	66.8[4]	—11.8[4]	81.1[4]	72.0	[4]1.04[6]	4.83[1]	3.50	40	8.7
Northern Pacific	55.6	50.3	— 9.5	93.0	81.0	.07[4]	6.27	3.00	56	5.3
Pennsylvania	340.6	278.5	—18.2	87.1	83.5	(d) .56[4]	2.81	.75	16	4.6
Reading	55.8[4]	46.3[4]	—17.0[4]	78.0[4]	77.7	1.84[4]	6.92	2.00	28	7.1
St. Louis-San Francisco	46.3	42.0	— 9.2	79.8	73.7	.49[4]	5.23[1]	2.50	25	5.0

(d)—Deficit.
*—Before funds.
[1]—Before capital and sinking funds.
[2]—On system basis.
[3]—On participating basis before funds.
[4]—5 months to May 31.
[5]—Estimated.
[6]—After funds.

(*Please turn to page* 459)

New York Central, including heavy terminal expenses, large passenger losses, intense truck competition and an inadequate amount of working capital. The success or failure of his efforts can probably not be measured accurately for some time to come.

Probably the most important and significant traffic and operating development in recent years is the movement of truck trailers on railroad flat cars, i.e., piggy-back. Just as six railroads (the Pennsylvania; Baltimore & Ohio; Erie; Delaware, Lackawanna & Western; Nickel Plate and Wabash) were about to inaugurate this service, they were dealt a stiff blow by the I.C.C. action of June 14 in suspending the proposed tariffs for a maximum of seven months pending hearings, which are now scheduled for July 27. This suspension undoubtedly reflects considerable pressure brought to bear on the Commission by the common truck carriers.

Two basic philosophies are in conflict as to the method of operating piggy-back service. The school led by the Pennsylvania believes in using its own trucks and trailers and performing the entire movement at a rate competitive with the trucks. On the other hand, the New York Central school of thought would utilize the equipment of the common carriers by truck for pick-up and delivery operations and would be compensated only for the actual railroad movement between terminals. This controversy is one that may be a long time in being settled with political as well as economic considerations involved. However, the weight of accumulated evidence appears to bear out the contention that piggy-back service in some form offers the railroads a real opportunity to regain high rate traffic from the trucks, particularly in the East. This potentiality was pointed up by a statement in May by William White, former president of the New York Central and a hard-headed operating man. Mr. White declared that the railroad he then headed should obtain $30 to $40 million in annual gross revenues from this business in four or five years and realize a pre-tax margin of 30% to 35%.

The seriousness of the passenger problem to the nation's railroads was emphasized by a recent I.C.C. report disclosing that the passenger operating deficit, based upon an arbitrary segregation of expenses, of Class 1 roads in 1953 increased to $705 million from $642 million in the previous year. (The 1953 net operating income from freight service was $1.8 billion.) Of 42 major railroads, only 6 reported lower passenger operating ratios in 1953 than in 1952. The two largest railroads, Pennsylvania and New York Central, alone suffered a total passenger deficit of $109 million, or 15% of the total and all Eastern and Pocahontas roads a total of $274 million (39%). This showing is particularly disheartening in view of the strenuous efforts of all the railroads to eliminate unprofitable passenger runs, consolidate trains and encourage traffic through various types of fare reductions. The newest innovation is the proposed use of Talgo-type, light-weight passenger trains.

The advanced stage of the dieselization program for most railroads is indicated by the fact that only 688 locomotive units were placed in service in the first five months of the year vs. 1,102 in the like 1953 period. The number of locomotives on order on June 1 amounted to 170 as compared with 682 on the same date a year ago. Under these conditions, the modernization of freight classification yards is receiving increasing attention from railroad managements as a source of substantial cost savings. The Louisville & Nashville is a notable example—a month ago it announced that it will build next year a $10 million new freight yard and depot at its Strawberry yards near Louisville at an annual savings of about $1.7 million. A joint project with the Atlantic Coast and other affiliates now in the blue print stage is a $15 million, 4,000 car yard at Birmingham. The Kansas City Southern system has begun construction of a new yard at Shreveport, Louisiana, with material operating economies and time savings expected.

A potential new source of operating economies is the elimination of one track in multiple track operation through the use of centralized traffic control (CTC). This innovation has proven successful on a segment of the Erie's main line and is being considered by the Pennsylvania for its Philadelphia-Pittsburgh main stem and by the New York Central for its New York-Buffalo line. Certain roads, such as the Great Northern, are in the initial stages of installing CTC on one track lines, where a tremendous source of cost cutting remains to be tapped.

How Rail Groups Compare

TABLE A

	Gross Revenues (Millions) 4 Mos., 1954	4 Mos., 1953	% Change	Net Operating Income (Millions) 4 Mos., 1954	4 Mos., 1953	% Change	Est. Net Income (Millions) 4 Mos., 1954	4 Mos., 1953	% Change
Eastern Pocahontas	$1,303	$1,522	—14.4%	$ 71	$ 147	—51.2%	$ 18	$ 86	—79.1%
% Class 1	42.9%	43.5%		34.6%	41.5%		14.0%	32.8%	
Southern	$ 472	$ 528	—10.5%	$ 54	$ 68	—20.9%	$ 39	$ 53	—26.4%
% Class 1	15.5%	15.1%		26.0%	19.1%		30.5%	20.2%	
Western	$1,266	$1,451	—12.8%	$ 82	$ 139	—41.5%	$ 71	$ 123	—42.3%
% Class 1	41.6%	41.4%		39.4%	39.4%		55.5%	47.0%	
Total Class 1	$3,041	$3,501	—13.2%	$ 207	$ 354	—41.6—	$ 128	$ 262	51.1%

TABLE B — **TOTAL EARNINGS PER SHARE**

Group	Est. Last 8 Mos., 1954	Last 8 Mos. 1953	% Change	Est. Year 1954	Year, 1953	% Change
Good	$ 76.59	$ 88.12	—13.1%	$108.00	$132.12	—18.3%
Average	38.48	46.31	—16.9	46.95	64.90	—27.7
Poor	25.36	26.17	— 3.1	12.10	30.90	—60.8
Total	$140.43	$160.00	—12.6%	$167.05	$227.92	—26.7%

Statistical Position of Leading Railroads (Continued)

	Gross Revenues — 1st 4 Months — 1953 (Millions)	1954 (Millions)	Percentage Change %	Operating Ratio — 1st 4 Months 1954	Full Year 1953	Net Per Share* — 1st 4 Months 1954	Full Year 1953	Indicated Current Div.	Recent Price	Yield
Seaboard Air Line	$ 58.9	$ 54.1	— 8.1%	72.0%	72.0%	$ 3.69[4]	$ 8.90[1]	$ 4.00	57	7.0%
Southern Pacific	230.6	195.5	—15.2	80.8	76.0	1.93[4]	6.40	3.00	42	7.1
Southern Ry.	93.0	83.2	—10.5	71.3	67.7	3.09[4]	11.62	3.50	57	6.1
Union Pacific	206.6[4]	185.5[4]	—10.2[4]	77.1[4]	75.5	5.07[4]	14.95	6.00	136	4.4
Virginian Ry.	12.7	11.6	— 8.9	66.7	68.2	1.07[4]	3.02	2.50	27	9.2
Western Pacific	20.1	15.2	—24.4	80.4	67.5	1.19	8.37[3]	3.00	54	5.5

(d)—Deficit.
***—Before funds.**
[1]—Before capital and sinking funds.
[2]—On system basis.
[3]—On participating basis before funds.
[4]—5 months to May 31.
[5]—Estimated.
[6]—After funds.

Atch., Top. & S. F.: Very efficiently operated property in outstanding growth territory. Low debts, strong finances and substantial non-railroad income points to continuation of $7 dividend this year. A[1]*

Atlantic Coast Line: Virtual completion of large-scale track program last year should permit sharp cut in maintenance expenses. Earnings should hold close to last year's level. B[1]*

Baltimore & Ohio: A sharp slump in movement of coal, iron and steel traffic has affected revenues severely but excellent cost control reflected in below-average earnings decline. Discovery of high-grade coal reserves and industrialization of lower Ohio River valley favorable factors over the long term. C[2]

Boston & Maine: Large passenger commutation deficit will accent downturn in earnings this year. A large deficit on the common stock is a reasonable expectation in 1954 D[2]

Chesapeake & Ohio: Revenues will be affected this year by lower coal traffic but tight control of expenses should prevent more than a moderate decline in earnings and $3 dividend appears safe. Over long term, increasing volume of merchandising traffic lessens dependence on coal. C[2]

Chicago, Milwaukee & St. Paul: A greater than average drop in earnings is expected this year due to decreased farm income and a consequent lower inbound movement of manufactured goods. Coverage of current $1 annual dividend doubtful for 1954. D[2]

Chicago & Northwest: Low traffic density, large branch mileage and dependence on agricultural conditions in northwest complicate the earnings problems of this very marginal road in the present period of depressed traffic. No earnings on the common looked for this year. D[2]

Chicago, Rock Island: Post-war growth of industry in the company's territory and the operating efficiencies resulting from a large-scale improvement program have lifted this railroad into good-grade class. The $5 dividend is conservative in relation to earnings. B[1]*

Delaware, Lackawanna & Western: A large passenger commutation loss and dependence to a considerable extent on anthracite coal traffic are basic operating handicaps. Debt reduction requirements under the road's voluntary recapitalization plan will keep dividend payments moderate in amount for two years at least. D[2]

Erie: Earnings trend more stable than for average eastern road, but 100% dieselization and other post-war improvements leave little margin for further operating economies. Traffic volume should benefit from completion of new Ford assembly plant on main line next year. C[2]

Great Northern: Despite lower movement of iron ore, earnings should drop only moderately in 1954 and an increase in the dividend rate on the new split stock possible later in year. Property in excellent physical condition and development of northwest adds a measure of long term appeal. B[2]

Gulf, Mobile & Ohio: Serves a fast growing section and earning power gradually becoming seasoned. Appears to be one of the most attractive medium-grade issues from a market standpoint. C[1]*

Illinois Central: Expanding economy on the company's lines and a sharp reduction in debt have materially strengthened the company's position. With the present low rate of dieselization of freight operations, providing the opportunity of cutting expenses substantially in the future, this issue rates among the best railroad equities. B[1]*

Kansas City Southern: Growth of the Gulf Coast area served, little branch mileage or passenger traffic, and a very efficient operating management will probably hold the decline in 1954 net income to about 20%. Dividend pay-out is low and should ultimately be increased. B[2]

Lehigh Valley: Dependence on anthracite coal, iron and steel traffic and heavy terminal costs will lead to a sharp drop in earnings. However, the current $1.20 annual dividend rate will probably be maintained. D[2]

Louisville & Nashville: Increasing importance of manufactured goods traffic, growing industrialization of territory, rapid progress toward full-scale dieselization, and substantial economies through new yard projects have made fundamental improvement in earning power. B[1]

N. Y. Central: New, progressive management now starting to tackle the road's basic weaknesses of heavy yard and switching expenses and burdensome passenger losses. Marked decline in 1954 losses expected in any event. D[2]

N. Y., Chicago & St. Louis: Well operated railroad with only a small percentage of freight operations dieselized but its traffic position is vulnerable to an indicated closer liaison of the N. Y. Central and Chesapeake & Ohio. C[1]

N. Y., New Haven & Hartford: Its New England territory lacks growth and predominantly short-haul traffic suffers from intense truck competition. New management faces acid test of combating railroad's problems which include high terminal and passenger expenses, with reportedly drastic measures. D[2]

Norfolk & Western: With the earnings protection of the regular $3 dividend expected to be narrowed considerably this year, supplementation of the regular 50-cent rate by a 50-cent extra, such as paid in last four years, is subject to considerable doubt. C[2]

Northern Pacific: Expense ratios are high, the dividend pay-out above average and lower grain and lumber traffic will lead to substantial drop in earnings this year. Realization of undoubted oil possibilities in Williston basin appears to wait on distribution of adequate distirbution. C[2]

Pennsylvania: Decline in bituminous coal and steel activity has hit the revenues of the nation's largest railroad particularly hard and expense control has been disappointing. D[2]

Reading: Although still the largest anthracite carrier, this railroad is steadily increasing its merchandise traffic as new industries move on the line. Earnings have held up better than the eastern average, and the $2 dividend should continue to be covered by a good margin. C[1]

St. Louis-San Francisco: Longer-term earnings outlook is good due to the growth of the southern and southwest area served, and improved operating efficiency from large post-war road and equipment program. Present indications are that the $2.50 annual dividend will be covered by a relatively narrow margin. C[2]

Seaboard Airline: Traffic growth has been above average, operating efficiency is high, finances are strong and debt has been reduced substantially. With 1954 earnings estimated at only moderately below last year's level, the annual dividend rate recently was increased from $3.20 to $4 a share. B[1]*

Southern Pacific: Operating performance continues below average and 1954 earnings likely to show decline from last year's levels. Over the longer term the company's southwest and Pacific Coast territory remains outstanding for growth possibilities and outside investments have good potentials. C[2]

Southern Railway: This road has been a leader in affecting operating economies and the post-war development of industry in the South has stimulated traffic materially. The $2.50 regular dividend was supplemented by a $1 extra in February and further liberalization appears likely over the comparatively near term. B[1]*

Union Pacific: Indicated fundamental improvement in operating efficiency through dieselization on the entire main line in the first half of 1954 adds considerably to the long-term attraction of this blue chip railroad. Also has other large income from oil holdings and outside investments. Earnings this year should hold close to last year's excellent showing and $6 dividend should be increased. A[1]*

Virginian: Gradual erosion of consumer demand for bituminous coal, which accounts for about 80% of freight revenues has gradually diminished earnings over a period of years. In 1954, coverage of the $2.50 annual dividend likely to be very narrow but partial dieselization will benefit earnings as year progresses. D[2]

Western Pacific: Revenue growth in the post-war period has been exceptional in California. Consummation of the pending exchange of debentures and common for preferred would pave way for increase in the common above $3 now paid. B[2]

RATING: A — Best-grade. B — Good-grade. C — Fair. D — Poor.
[1]—Sustained earnings trend. [2]—Lower earnings trend

***—Most attractive of group.**

Merchandising Stocks — Under Growing Competition

By VERNON SAVAGE

To essay a prediction as to the level of sales and earnings of the general merchandisers—the nation's department stores, variety and specialty stores and the national mail order houses—through their current fiscal year which ends next spring—would require peering through a crystal ball or the employment of a highly developed supersensory perception.

Lacking the latter ability and having no confidence in soothsayers or fortune tellers, one is forced to recognize that there is no accurate gauge, at the moment, by which to accurately measure the immediate future, meaning the summer and the coming fall and winter months, of these retail distributors.

So far this year, sales of the department stores throughout the country, when compared the corresponding period of last year on a week to week basis, form a series of ups and downs, reflecting in some weeks stepped up buying of Easter needs of wearing apparel and accessories, gifts for Mother's Day, or other special days, or just increased consumer demand inspired by favorable weather. For the first 23 weeks of the 1954 calendar year, however, department stores sales throughout the nation were 3% under the like 1953 period. This decline was not uniform in all sections of the country. In the Boston area, dollar volume was about even with that of the same weeks last year, while the New York and Atlanta districts dipped only about one per cent. The biggest drop was 7%, occuring in the Cleveland area where curtailed steel operations has contributed substantially to unemployment. Philadelphia, also affected by unemployment to some extent, registered a 6% drop in dollar sales, a decline matched by the Dallas and Kansas City areas, although in the latter unseasonal cold weather and heavy rains and wind storms were undoubtedly factors in keeping shoppers out of the stores.

Individual Results

Based on first five months figures, the variety stores, as a group, showed to a little better advantage. Dollar volume was off only five-tenths per cent, but the individual chains did not fare on an equal basis. Neisner Bros., for example, showed a drop of 6% in dollar volume for the first five months. Close behind was G. C. Murphy with a drop of 5.4%, followed by McLellan Stores with a decline of 5%. S. H. Kress showed a dip of only 1.5%, and S. S. Kresge did better than that, holding its sales drop to six-tenths of one per cent. In contrast to these showings, J. J. Newberry gained three-tenths of one per cent, and Woolworth, gaining 3.7% in May dollar volume which was contrary to the month's trend for practically all the other variety chains, rounded out the first five months with a net increase in sales of one-half per cent. W. T. Grant, which made one of the best 1953 showings of the variety group from the standpoint of sales gains, again lead the way in the first five

months of this year with sales up 2.8% over the like period of last year.

Much the same story can be written about the mail order houses and the so-called general merchandisers such as J. C. Penny, Interstate Department Stores, and Mercantile Stores. For the first five months of this year, sales of the latter fell 3%. Interstate's were off 4.6%, and Penny dipped 2.7%. Penny's sales, in dollars, for the five months to May 31, last, fell to $365.6 million from $375.9 million for the like 1953 period. Among the mail order houses, Spiegel's first five month's sales dropped 10.7%. This showing, aided by Easter buying in April that increased sales in that month 7.1%, is an improvement over the first quarter in which dollar volume fell approximately 16.8%. In the first three months of this year, net sales of $23.4 million, down $5.2 million from the like 1953 period, produced a loss of $1.7 million, equal to a deficit of $1.13 a share for the common stock. This compares with a 1953 first quarter deficit of 73 cents a share which, as sales in that year improved, Spiegel was able to wipe out and show net for the full year equal to 53 cents a share for the common.

Sales of Montgomery Ward have been consistently downward in each of the first four months of its current fiscal year which opened February 1. Up to May 31, sales had dropped $53 million, or 15.8% to $282.5 million. On this basis, it is evident that May business failed to add much to first quarter earnings, equal to 71 cents a share on the common stock, down from 96 cents a share for the first quarter of last year. From a sales standpoint, Sears, Roebuck has done much better than its principal competitor. Sears', for the four months to the end of May, showed an 8.8% sales decline, or from $980 million for the same period of last year to $893.4 million this year.

By comparison with the declines in dollar volume of the mail order houses, department store sales through the early part of 1954 held up well. On analysis, it will be found that actual physical volume was comparable with the corresponding period of 1953, the 3% dip developing largely because of generally (*Please turn to page* 488)

Statistics on Merchandising Stocks

	1st Quarter						Full Year						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share		Price	Recent	Div.
	1953	1954	1953	1954	1953	1954	1952	1953		Indicated	Range	Price	Yield
	(Millions)		%	%					1953	1954	1953-54		
ALLIED STORES W.C. (mil.) '52—$113.4 W.C. (mil.) '53—$120.2	$110.8[4]	$112.9[4]	1.2%	1.1%	$ .52[4]	$ .48[4]	$ 5.06	$ 4.92	$ 3.00	$ 3.00	47-35	46	6.5%
ASSOCIATED DRY GDS. W.C. (mil.) '52—$33.6 W.C. (mil.) '53—$34.3	38.3[4]	35.0[4]	2.1	2.1	.40[4]	.37[4]	2.63	3.10	1.60	1.60	23-18	23	6.9
BEST & CO. W.C. (mil.) '52—$13.4 W.C. (mil.) '53—$13.2	9.2[4]	n.a.	....	....	n.a.	n.a.	2.39	2.90	2.00	2.00	28-22	27	7.4
FEDERATED DEPT. STRS. W.C. (mil.) '52—$89.2 W.C. (mil.) '53—$88.5	106.1[4]	108.0[4]	2.9	3.0	.85[4]	.87[4]	3.62	3.74	2.50	2.50	48-35	45	5.5
GIMBEL BROS. W.C. (mil.) '52—$53.0 W.C. (mil.) '53—$51.4	66.3[4]	n.a.	....	....	n.a.	n.a.	2.14	2.35	1.00	1.00	16-12	16	6.2
GRANT, W. T. W.C. (mil.) '52—$45.5 W.C. (mil.) '53—$44.5	51.3	51.4	....	....	n.a.	n.a.	3.08	2.91	1.50	1.50	37-33	36	4.1
GREEN, H. L. W.C. (mil.) '52—$17.4 W.C. (mil.) '53—$18.1	22.8[4]	23.2[4]	1.6	1.4	.31[4]	.27[4]	3.28	3.10	2.25	2.25	40-28	28	8.0
KRESGE, S. S. W.C. (mil.) '52—$64.0 W.C. (mil.) '53—$61.8	65.9	63.5	....	....	n.a.	n.a.	2.56	2.40	2.00	2.00	35-30	33	6.0
KRESS, S. H. W.C. (mil.) '52—$35.3 W.C. (mil.) '53—$34.8	35.1	33.9	....	....	n.a.	n.a.	3.89	3.84	3.00	3.00	57-47	49	6.1
LANE BRYANT W.C. (mil.) '52—$7.1 W.C. (mil.) '53—$7.5	16.2[4]	15.5[4]	2.9	3.0	.70[4]	.66[4]	2.26	2.03	1.00[1]	1.00[1]	18-14	14	7.1
MACY, R. H. W.C. (mil.) '52—$56.2 W.C. (mil.) '53—$52.6	75.3[5]	79.1[5]	.6	.6	.11[5]	.12[5]	.97[2]	2.20	1.60	1.60	26-20	22	7.2

n.a.—Not available. W.C.—Working Capital.
[1]—Plus stock.
[2]—Before capital profit of $1.61 a share.
[3]—4 months ended April 30, 1954; fiscal year changed to January 31.
[4]—Quarter ended April 30.
[5]—3rd fiscal quarter ended May 1, 1954.

(*Please turn to page* 462)

Statistics on Merchandising Stocks (Continued)

	1st Quarter						Full Year						
	Net Sales		Net Profit Margin		Net Per Share		Earned Per Share		Dividend Per Share		Price Range	Recent Price	Div. Yield
	1953	1954	1953	1954	1953	1954	1952	1953	1953	Indicated 1954	1953-54		
	(Millions)		%	%									
MARSHAL FIELD & CO. W.C. (mil.) '52—$48.8 W.C. (mil.) '53—$63.6	$64.6[3]	$54.3[3]	1.2%	1.2%	$ .30[3]	$ .23[3]	$ 2.56	$ 2.80	$ 2.00	$ 2.00	28-22	28	7.1%
MAY DEPT. STORES W.C. (mil.) '52—$ 97.9 W.C. (mil.) '53—$112.6	97.6[4]	91.5[4]	2.2	2.1	.32[4]	.28[4]	2.57	2.62	1.80	1.80	32-27	31	5.8
McCRORY STORES W.C. (mil.) '52—$13.8 W.C. (mil.) '53—$12.9	20.9	20.2	....	....	n.a.	n.a.	1.37	1.50	1.10	1.10	15-11	13	8.4
McLELLAN STORES W.C. (mil.) '52—$8.4 W.C. (mil.) '53—$8.6	12.6[4]	12.2[4]	....	....	n.a.	n.a.	2.50	2.31	2.00	2.00	26-18	23	8.6
MONTGOMERY WARD W.C. (mil.) '52—$552.9 W.C. (mil.) '53—$572.0	240.4[4]	204.3[4]	2.7	2.4	.96[4]	.71[4]	7.41	6.12	3.00	3.50	65-53	64	5.4
MURPHY, G. C. W.C. (mil.) '52—$34.0 W.C. (mil.) '53—$37.1	36.0	33.0	....	....	n.a.	n.a.	3.21	3.54	2.00	2.00	50-40	40	5.0
NEISNER BROS. W.C. (mil.) '52—$6.5 W.C. (mil.) '53—$7.5	12.7	11.5	....	....	n.a.	n.a.	2.05	2.13	1.00	1.00	16-11	14	7.1
NEWBERRY, J. J. W.C. (mil.) '52—$29.5 W.C. (mil.) '53—$30.5	32.2	31.1	....	....	n.a.	n.a.	3.32	3.48	2.00	2.00	38-31	34	5.8
PENNEY, J. C. W.C. (mil.) '52—$162.4 W.C. (mil.) '53—$166.8	207.3	193.3	....	....	n.a.	n.a.	4.52	4.67	3.50	3.50	87-65	87	4.0
SEARS, ROEBUCK W.C. (mil.) '52—$713.4 W.C. (mil.) '53—$767.6	691.0[4]	635.8[4]	....	....	n.a.	n.a.	4.56	4.87	2.75	3.05	65-56	64	4.7
WOOLWORTH, F. W. W.C. (mil.) '52—$101.4 W.C. (mil.) '53—$127.7	144.2	139.2	....	....	n.a.	n.a.	3.25	3.07	2.50	2.50	48-40	42	5.9

n.a.—Not available. W.C.—Working Capital.
[1]—Plus stock.
[2]—Before capital profit of $1.61 a share.
[3]—4 months ended April 30, 1954; fiscal year changed to January 31.
[4]—Quarter ended April 30.
[5]—3rd fiscal quarter ended May 1, 1954.

Allied Stores: Largest department store chain. Good geographic distribution. Expansion program sizeable. Reasonably well-protected $3.00 dividend provides generous yield. B[1]

Associated Dry Goods: Department stores specializing in fashion and higher-priced merchandise. Senior capitalization substantial. Recent earnings include profit from McCreery liquidation. Continuation of $1.60 dividend probable. C[1]

Best & Co.: New York store and branches emphasize quality and style in women's and children's apparel. Maintenance of $2.00 dividend uncertain. High yield reflects risks inherent in specialty store operations. C[1]

Federated Department Stores: Nine long-established department stores. Branches in growing communities. Above-average record points to management's ability, and lends assurance to continuation of $2.50 div. B[1]*

Gimbel Brothers: Major department stores. Concentration in New York. Heavy senior capitalization. Wide fluctuation in earnings. Stock speculative with resulting high yield. C[1]

Grant (W. T.): Third largest variety chain, retailing lower-priced staple merchandise. Sizeable expansion. Strong finances. Relatively low yield but good prospect of long-term growth. B[1]*

Green (H. L.): Variety store chain includes junior department stores. Fair degree of earnings stability and moderate growth. Regular 50c quarterly rate offers relatively high yield. B[1]

Kresge (S. S.): Next to largest chain of variety stores. Characteristic earnings stability. Sizeable expansion last year expected to benefit sales. Narrow dividend coverage but $2.00 rate should hold. B[1]*

Kress (S. H.): Fourth in size in variety chain field. Increase in number of new outlets planned this year. Stability of profits suggests the $3.00 dividend will be maintained. B[1]*

Lane Bryant: Specialty stores in women's apparel. Competition particularly keen. Profit margin narrow. Expansion continuing, but stock speculative. C[1]

Macy (R. H.): Seventeen department stores including Macy's New York. Expanding branch stores. Cost-reducing program. Dividend coverage not wide but continuation likely. Yield substantial. B[1]

Marshall Field: Disposal of the cyclical textile division has made operations more stable. Expansion program of this long-established merchandiser improves outlook. Stock worth retaining. C[1]

May Department Stores: Company's record in its industry is better than average. Improvements and expansion of outlets expected to increase net this year. Yield is excellent. B[1]*

McCrory Stores: Earnnigs have shown relative stability. Growth prospects fair. New and enlarged stores should aid earnings. Dividend return generous. B[1]

McLellan Stores: This is a speculative issue among the variety chains. Net declined moderately last year. Sales have declined further thus far this year. Dividend 50c quarterly is not considered secure. D[2]

Montgomery Ward: Ultra-conservative post-war program has affected competitive position but built-up working capital greatly. Earnings may decline this year but regular dividends may again be supplemented by year-end extra. B[2]

Murphy (G. C.): A good quality variety chain with record of growth. Lapse of EPT and new outlets will aid net this year. Present 37½c quarterly dividend may again be supplemented by year-end extra. B[1]

Neisner Brothers: Six new and four enlarged units should expand sales and net of this variety chain. Dividend coverage good. Yield is liberal. C[2]

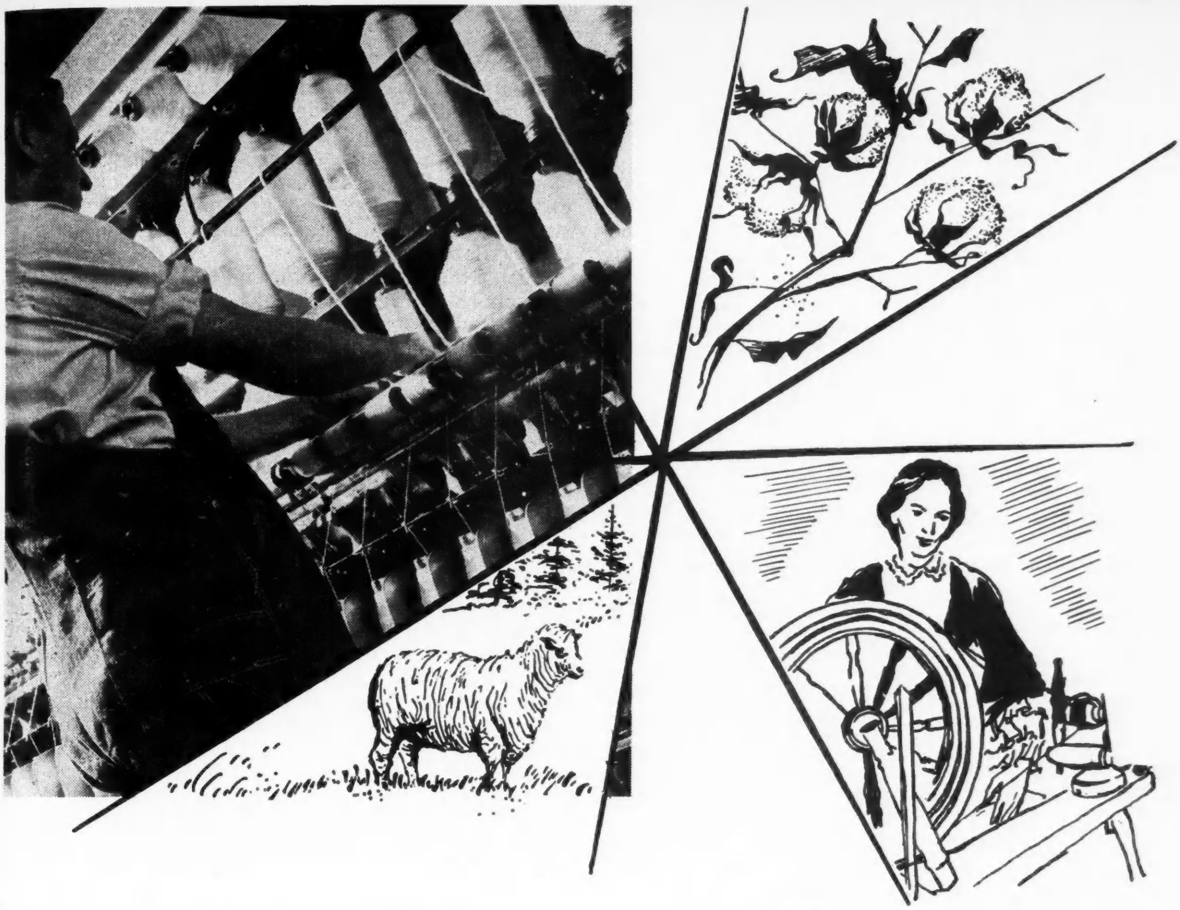
Newberry (J. J.): Has good record of growth in variety field. Conservative expansion should aid sales and net. Dividend at 50c quarterly expected to continue. B[1]

Penney (J. C.): New stores and enlargement of present outlets expected to increase net. Extra dividend in addition to regular payment can be expected. Growth prospects of this largest junior department store company continue good. A[1]*

Sears, Roebuck: While sales of this largest retail distributor have declined in recent months, operations are expected to improve and reduced taxes should be reflected in favorable earnings comparison. Yield is satisfactory. A[1]*

Woolworth (F. W.): Modernization and additional large stores should increase revenues. Better cost controls will aid net. Long record of stable earnings and dividends merit retention. B[1]*

RATING: A — High-grade; B — Good; C — Fair; D — Poor. [1] — Sustained earnings trend; [2] — Lower earnings trend. * — Most attractive of group.



Varying Recovery Prospects for 30 Leading Textiles

By J. C. CLIFFORD

Research has wrought many fabulous wonders to enhance the American way of life, but for the textile industry it seems to have opened a Pandora's box of problems. Like most generalities, this observation may represent something of an exaggeration and needs further explanation. Textile producers and fabric manufacturers have encountered many difficulties in recent years—and not all of them trace to results achieved by energetic physicists. Nevertheless, there seems little doubt but that some of the major uncertainties which have retarded progress for the last several years can be explained by confusion arising from the introduction of a variety of non-cellulosic fibers.

The prolonged downtrend in sales and prices since the 1951 peak cannot be blamed entirely on disturbing influences of new types of fibers and fabrics, of course, but in appraising the outlook for the industry and the potentialities of numerous companies engaged in it one must not overlook the side effects of competitive developments. Industry experts feel that another two or three years may be required to determine the importance of public acceptance for goods made of dacron, orlon, acrilan—and even the older and more firmly established nylon, which has evidenced unexpected market weaknesses in some kinds of apparel.

Before dwelling further on possible impacts of enlarged production of new fibers, it may be well first to review some of the fundamental characteristics of the industry and to study trade factors which have contributed to the woes of leading manufacturers. Looking backward, one may observe that the industry was well prepared to share in the boom induced by military requirements for a wide variety of textile products in connection with the Korean incident in 1950. Inventories had been sharply curtailed in 1949 as a result of the pronounced slackening in consumer interest in the second half of 1948. Thus, manufacturing facilities were in excellent condition and supplies of manufactured goods were relatively low when, in the summer of 1950, the

Defense Department took steps to outfit greater numbers of military personnel.

Competition Increases

It is unnecessary here to trace in detail subsequent events. Suffice to say, textile manufacturers experienced a remarkable improvement in business, especially after the public rushed in to grab everything in sight on the false assumption that consumer goods again would become scarce. The peak in this trend was reached early in 1951, when consumer demand abruptly ceased with no more warning than when it had begun. In its newborn enthusiasm the textile industry went ahead to accumulate excessive inventories again. The result has been keen competition and narrowing profit margins ever since. Although producers of synthetics felt only minor restrictive influences for a time, they experienced reduced demand and disappointing margins to an increasing extent in the last year and a half.

Now inventories again have been cut to negligible proportions, marginal producers have been compelled to suspend operations or to curtail output drastically and even the strongest companies have made price concessions that have trimmed margins to insignificant proportions. Labor has co-operated, though, grudgingly, in taking wage cuts with the result that a modest turn for the better is evident. In cotton goods, prices appeared to reach rock bottom soon after Easter, when converters and apparel makers placed substantial orders. Mills booked orders that helped bolster operations, but business was taken on such narrow margins that profits were not greatly improved. The industry seemed to have reached a turning point at that time when many large concerns refused to book orders that promised little or no profit.

Bottom Reached?

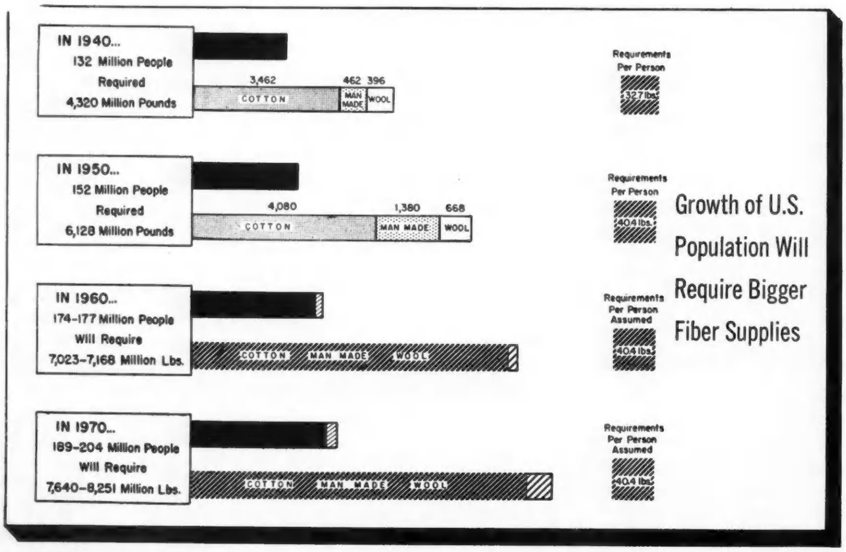
Although a turn for the better appears to have taken place, especially in cotton goods, it would be rash to assume that "all is well." Consumer demand shows no unmistakable sign of expanding at an extraordinary rate. On the contrary, buyers remain cautious and discriminate. They are interested only in good values. Unless developments in the Far East should bring about another upsurge in military orders, which in turn might spur civilian buying, it would seem likely that the trade may look forward to a period of slow and gradual recovery as the stronger and better managed companies compete for the available business.

Such a development would mean that widely divergent operating results might be anticipated not only among different segments of the industry but especially within particular divisions. Smaller, efficient producers capable of extracting wage concessions from labor in return for steady employment would be in position to achieve the better results. Less successful and aggressive managements, operating higher-cost facilities, probably would continue to encounter difficulties.

Under conditions such as envisioned, the investor would find it important to be well informed on conditions affecting individual companies. Concerns favorably situated could seize the opportunity to improve their earnings at the expense of unfortunate competitors. Accordingly, it would be reasonable to anticipate cross-currents in price movements in the textile industry for a time as adjustments take place. Some companies probably have not reached the low point in the downtrend of earnings and further dividend reductions or omissions may need to be taken into account.

Nevertheless in a cheerful market environment, however, investment managers will be searching for evidence of trend reversals and representative stocks may begin their prospective market recovery before the bottom in earnings has been reached. It would not be unheard of for a stock under these conditions actually to forge ahead in face of "bad news" in the form of a dividend cut. As a case in point, it may be noted here that Celanese of America has shown more encouraging market action since the directors halved the quarterly dividend to 12½ cents late in May.

Basic Current Factors



The Wool Bureau, Inc.

With this review of current industry trends as a background, it may be well now to examine some of the basic fundamentals concerning production and consumption of principal products so as to gain a perspective of the whole textile industry and its ability to supply consumer wants. It is important to know, for example, the relationships of one segment of the business to another and of growth potentialities likely to be experienced, especially in synthetics. A brief discussion of such factors should prove useful in appraising stocks.

One needs only to consider the wide scope of the textile industry as well as its tremendous diversity to realize

Position of Leading Textile Companies

	1st Quarter Net Sales (Millions) 1953	1st Quarter Net Sales (Millions) 1954	1st Quarter Net Profit Margin 1953 %	1st Quarter Net Profit Margin 1954 %	1st Quarter Net Per Share 1953	1st Quarter Net Per Share 1954	Full Year Earned Per Share 1952	Full Year Earned Per Share 1953	Full Year Dividend Per Share 1953	Full Year Dividend Per Share Indicated 1954	Price Range 1953-54	Recent Price	Div. Yield
AMERICAN VISCOSE W.C. (mil.) '52—$82.5 W.C. (mil.) '53—$67.2	$ 57.7	$ 50.9	6.3%	3.2%	$ .84	$ .34	$ 4.88	$ 2.74	$ 2.00	$ 2.00	60-30	36	5.5%
AMERICAN WOOLEN W.C. (mil.) '52—$52.3 W.C. (mil.) '53—$43.1	18.4	n.a.	....	....	(d) 2.45	(d) 4.41	(d) 7.39	(d) 10.74	......	......	27-13	20	....
BEAUNIT MILLS W.C. (mil.) '52—$27.8 W.C. (mil.) '53—$18.8	21.2[5]	17.8[5]	2.2[5]	9.9[5]	.26[5]	1.25[5]	.31	3.03	.25	1.00	22-13	17	5.8
BELDING HEMINWAY W.C. (mil.) '52—$6.9 W.C. (mil.) '53—$7.0	6.3	5.8	2.4	1.9	.38	.26	1.12	1.38	.65	.70	14-10	11	6.3
BOTANY MILLS W.C. (mil.) '52—$11.4 W.C. (mil.) '53—$10.0	11.1	4.5	(d) .1	(d) 2.0	(d) .26	(d) 2.07	(d) 11.60	(d) 3.38	......	......	4- 2	3	....
BURLINGTON MILLS W.C. (mil.) '52—$127.9 W.C. (mil.) '53—$133.6	98.3[8]	84.5[8]	2.2	2.3	.26[8]	.24[8]	1.09	1.35	.60	.60	17-10	13	4.6
CANNON MILLS W.C. (mil.) '52—$75.3 W.C. (mil.) '53—$80.1	49.0	n.a.	....	....	......	......	3.70	4.95	3.00	3.00	54-43	53	5.6
CELANESE CORP. W.C. (mil.) '52—$66.8 W.C. (mil.) '53—$67.6	44.5	28.9	6.0	.3	.26	(d) .19	.77	1.01	1.25	.62½	38-16	20	3.1
CLUETT PEABODY W.C. (mil.) '52—$36.1 W.C. (mil.) '53—$35.2	20.6	19.6	6.0	4.2	1.50	.94	3.97	4.12	2.50	2.50	35-28	33	7.5
CONE MILLS W.C. (mil.) '52—$49.9 W.C. (mil.) '53—$52.4	47.7	31.4	5.7	3.4	.78	.30	2.27	2.59	1.60	1.30	27-20	22	5.8
CONSOL. TEXTILE W.C. (mil.) '52—$3.5 W.C. (mil.) '53—$5.7	7.8[7]	8.1[7]	3.2	(d) 1.3	.27[7]	(d) .10[7]	.47	.95	.45	.10[2]	10- 7	7	
DUPLAN CORP. W.C. (mil.) '52—$7.9 W.C. (mil.) '53—$8.2	6.4[8]	6.1[8]	1.7	1.8	.12[8]	.12[8]	.02	.28	.10[2]	......	12- 6	9	....
GOODALL-SANFORD W.C. (mil.) '52—$24.8 W.C. (mil.) '53—$23.4	20.3[9]	15.7[9]	3.5	(d) 1.9	1.12[9]	(d) .71[9]	3.02	.73	.75[2]	......	19- 9	13	....
GOTHAM HOSIERY W.C. (mil.) '52—$3.4 W.C. (mil.) '53—$2.8	2.3	1.7	(d) 3.3	(d) 9.6	(d) .19	(d) .41	(d) 1.17	(d) 1.53	......	......	9- 4	6	....
INDUSTRIAL RAYON W.C. (mil.) '52—$39.7 W.C. (mil.) '53—$34.7	18.7	16.9	11.3	11.6	1.15	1.07	4.83	4.68	3.00[3]	3.00	56-38	46	6.5
KAYSER (J.) & CO. W.C. (mil.) '52—$10.2 W.C. (mil.) '53—$10.3	5.0[9]	n.a.	....	....	.06[9]	(d) .27[9]	(d) .21	.68	......	.25	15-10	14	1.7
LEES (JAS.) & SONS W.C. (mil.) '52—$21.9 W.C. (mil.) '53—$21.7	18.0	15.4	5.2	3.9	1.11	.71	4.55	3.76	2.00	2.00	29-21	24	8.3
LOWENST'N (M.) SN. W.C. (mil.) '52—$39.0 W.C. (mil.) '53—$38.3	76.9	77.3	2.0	2.2	1.67	1.25	5.16	5.30	2.20	2.00	37-30	37	5.4
PACIFIC MILLS W.C. (mil.) '52—$36.1 W.C. (mil.) '53—$37.8	28.8	26.8	2.5	.6	.76	.20	2.11	2.54	1.40	1.40	30-22	28	5.0
PEPPERELL MFG. CO. W.C. (mil.) '52—$28.3 W.C. (mil.) '53—$23.2	n.a.	n.a.	....	....	n.a.	n.a.	6.71	7.69	4.50	4.50	70-58	62	7.2
POWDRELL & ALEX. W.C. (mil.) '52—$4.8 W.C. (mil.) '53—$4.4	4.3	2.7	1.3	(d) 11.2	.10	(d) .51	(d) 1.24	(d) 1.13	......	......	8- 5	6	

W.C.—Net working capital.
n.a.—Not available.
(d)—Deficit.
1—Quarter ended Jan. 31—fiscal year Oct. 31.
2—No further dividend action.
3—Plus stock.
4—1 share Indian Head Mills for each 10 shares held; no further dividend action.
5—4th Quarter, March 31 fiscal year.
6—6 months ended April 3rd.
7—Quarter ended February 28.
8—2nd Quarter, September 30 fiscal year.
9—3rd Quarter, June 30 fiscal year.
10—Bid and Asked.

(Please turn to page 467)

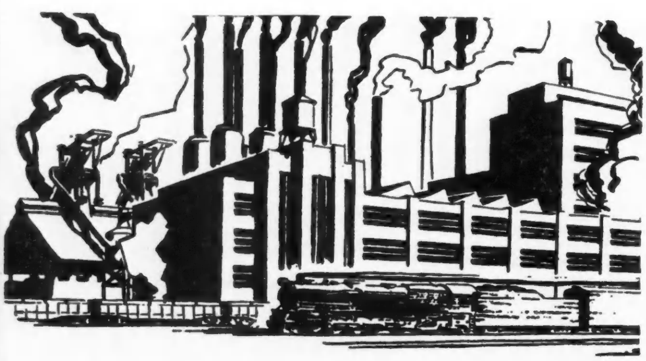
that it is impractical to generalize in discussing its outlook from the viewpoint of portfolio representation. Only on rare occasions are all phases of the business moving in unison in one direction or the other. This is the more readily appreciated when one stops to ponder the divergent factors. The industry as it is considered in financial markets embraces not only production and gathering of raw materials as well as their processing for conversion into fabrics, but the manufacture of wearing apparel comes under the broad heading. Thus, frequently the producer of wearables is able to get along rather nicely under conditions that impose serious handicaps on weavers, spinners and converters.

Textile manufacturing is one of the oldest of all industries and probably one of the simplest. The value of goods made in this segment of industry gradually has risen in recent years to between $20 billion and $25 billion annually. It accounts for more than 15 per cent of all industrial manufactures. Style has come to exert a tremendous influence on volume from year to year. Because many processes are rather simple, machines are comparatively inexpensive and no great sums are required for capital investment. Hence, competition can be and generally is especially keen. As an example, hosiery production is so simple that equipment readily operated by a few individuals is capable of being installed in small buildings, such as garages. There are hundreds of such small privately owned plants turning out unbranded merchandise.

Effects of Synthetic Fibres on Textile Industry

Introduction of viscose and acetate rayon a quarter of a century ago had a far reaching effect on the industry, virtually displacing silk and tending to stabilize raw material prices. Synthetics now account for approximately 25 per cent of fibers used in textiles, including slightly less than 5 per cent in non-celluosic materials. The impact of man-made substitutes has come since the middle 1920s, chiefly in the last fifteen years. As recently as the start of World War II, more than 90 per cent of fibers consumed in textiles came from natural sources.

Chemical research during the war spurred development of non-celluosic fibers which have threatened to accelerate displacement of natural raw materials. Virtually all of the newest fibers stem from chemical bases and possess exceptional dry and wet strength, unusual resistance to insects or micro-organisms and other special properties. Many of these synthetics give the fabric makers difficulties when they are subjected to ordinary dyeing processes. Some fabrics from the newer fibers have found ready acceptance because they dry readily and retain their original characteristics. Wrinkle resistance is remarkable, for example.



Dacron has been widely used for shirts and underwear as well as for suitings. Nylon has gained wide popularity in many kinds of wearables. Other types include orlon, dynel, vicara and different kinds of glass fibers adaptable for draperies and many other applications in and out of textiles.

In the light of conflicting influences, it is apparent that hope for more satisfactory earnings rests on either lower production costs or reduced output which may remove surplus supplies and permit reasonable price increases. Labor's attitude suggests that the latter course is more probable, for union leaders are loath to recommend wage cuts—and this policy is understandable in view of the general trend in other industries toward moderate wage hikes. In any event, many leading producers are closing less profitable plants in a move to restore a better balance between supply and demand.

Outlook for Cotton Goods

Although cotton goods have held up slightly better than other segments of the trade, keen competition has narrowed profit margins and earnings of representative companies for the first six months of the calendar year seem almost certain to fall short of comparable figures for the same period a year ago. The outlook for the coming six months remains uncertain, although price cutting appears to have been checked and inventories in the hands of both mills and distributors seem anything but excessive. There seems to be a chance that gradual improvement may take place for typical companies such as Cannon Mills, Cone Mills, M. Lowenstein & Sons, Pacific Mills, Pepperell and the like.

Prospects for makers of synthetics are more obscure and selective, but not necessarily less satisfactory in the main than for cotton goods. Output of acetate and rayon declined steadily from the early months of 1953 to a level at about 60 per cent of capacity at the beginning of this year and contraction has been the rule through the early months of 1954. Some large mills have closed or reduced operations to short time. Recent indications suggested the low point for the year may have been reached in the June quarter at under 50 per cent of capacity. A substantially reduced demand for tire cord has been a major restrictive influence recently.

Woolen Goods Prospects

Operations of most woolen goods makers have been unsatisfactory. A sharp curtailment in military requirements more than offset a slight rise in civilian needs. As a consequence, widespread curtailment of output became necessary and most companies encountered heavy non-recurrent shutdown expenses. Inventories appear to have been reduced to an extremely low level, suggesting that any worthwhile recovery in consumer demand would boost prices and enhance prospects for the autumn season.

Apparel makers have experienced improvement in retail interest and slightly better profit margins. Excessive inventories were cleared away late last year. Reckless price cutting (*Please turn to page* 490)

Position of Leading Textile Companies (Continued)

	1st Quarter: Net Sales (Millions) 1953	1954	Net Profit Margin 1953 %	1954 %	Net Per Share 1953	1954	Full Year: Earned Per Share 1952	1953	Dividend Per Share 1953	Indicated 1954	Price Range 1953-54	Recent Price	Div. Yield
RAYONIER, INC. W.C. (mil.) '52—$28.5 W.C. (mil.) '53—$34.7	$18.7	$19.7	14.2%	14.2%	$1.18	$1.26	$4.90	$4.72	$1.50	$1.50	37-22	37	4.0%
REEVES BROS., INC. W.C. (mil.) '52—$14.8 W.C. (mil.) '53—$14.8	15.4[9]	12.5[9]	3.3	.5	.46[9]	.06[9]	2.07	1.31	1.20	1.05	15-12	12	8.7
ROBBINS MILLS, INC. W.C. (mil.) '52—$17.5 W.C. (mil.) '53—$14.9	14.8[7]	14.1[7]	2.3	(d) 2.8	.27[7]	(d) .55[7]	(d) 1.25	(d) 3.78	.30[2]	.....	27- 9	12	.....
STEVENS (J. P.) & CO. W.C. (mil.) '52—$112.1 W.C. (mil.) '53—$113.6	83.9[1]	67.2[1]	2.7	2.9	.58[1]	.51[1]	2.27	2.35	2.00	1.00	37-22	27	3.7
TEXTRON INC. W.C. (mil.) '52—$20.2 W.C. (mil.) '53—$ 9.7	17.4	22.8	.2	.4	(d) .08	(d) .01	(d) 3.79	(d) .57	.....[4]	.....	12- 6	10	.....
UNITED MER. & MFG. W.C. (mil.) '52—$68.3 W.C. (mil.) '53—$71.9	78.8[9]	n.a.	.....	.....	.47[9]	.49[9]	1.49	1.98	1.00	1.00	13-11	12	8.3
VAN RAALTE CO. W.C. (mil.) '52—$7.3 W.C. (mil.) '53—$8.2	8.0	7.4	6.4	5.9	1.10	.91	3.82	3.50	2.60	2.60	32-27	29	8.9
WAMSUTTA MILLS W.C. (mil.) '52—$3.5 W.C. (mil.) '53—$3.8	8.0[6]	7.6[6]	1.2[6]	(d) 2.6[6]	.26[6]	(d) .51[6]	(d) .50	.20	.....	.40	6-10[10]	7	5.7
WYANDOTTE WSTD. W.C. (mil.) '52— W.C. (mil.) '53—	6.0[7]	n.a.	.....	.....	.11[7]	(d) .29[7]	1.55	.46	.40[2]	.....	11- 6	7	.....

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n.a.—Not available.
(d)—Deficit.
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2—No further dividend action.
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5—4th Quarter, March 31 fiscal year.
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8—2nd Quarter, September 30 fiscal year.
9—3rd Quarter, June 30 fiscal year.
10—Bid and Asked.

American Viscose: Leader in production of synthetics. Decline in earnings poses threat for regular $2 annual dividend rate. Progress in lowering expenses is hopeful. B[2]

American Woolen: Sharp decline in military orders contributed to adversities of this leader in woolen goods. Subsequent controversy for control leaves outlook confused. C[2]

Beaunit Mills: Leading producer of rayon yarns experienced encouraging recoverv in earnings, seemingly affording comfortable margin for indicated $1 dividend. Expansion in tire yarn favorable factor. C[1]

Belding Heminway: Tentative indications of pickup in activity in cotton goods regarded as favorable for old line thread manufacturer. Despite prospect of lower earnings, dividend seems safe. C[2]

Botany Mills: Reduced sales volume and unsatisfactory profit margins prove serious handicap for this small manufacturer. Operating economies may reduce losses moderately. D[2]

Burlington Mills: With benefit of operating economies and lower taxes, this large integrated concern showing moderate improvements in results despite dip in sales volume. B[1]

Cannon Mills: Rising costs, narrower margins resulting from keen competition and dip in sales pointing to reduced earnings for leader in cotton goods. Good management keeping dividend safe. A[2]

Celanese Corp. of America: Difficulty reducing operating costs consistent with cutback in production poses problem. Promise of improvements in second half may save reduced dividend. B[2]

Cluett, Peabody: Reduction in royalties contributes to handicap as competition restricts profit margins for leader in mrechandising men's apparel. Signs of sales recovery aid dividend outlook. B[2]

Cone Mills: Despite cutback in military orders and lower profit margins on civilian business, this aggressive cotton goods producer is expected to show adequate margin for dividends. B[1]

Consolidated Textile: Evidence of a sustained improvement in operations still is lacking and hope of reasonably profitable results must be deferred. Dividend resumption doubtful. D[2]

Duplan Corp.: Relatively slow demand for yarns and unsatisfactory profit margins resulting from keen competition provide handicap, but improvement in earnings over last year anticipated. C[1]

Goodall-Sanford: One of leading makers of men's popular priced lightweight suits. Bulk of earnings accrues in January-June period. Competition still keen. Dividend doubtful. C[2]

Gotham Hosiery: Excessive inventories leading to keen competition and disappointing trade conditions have been partly corrected with closing of some mills. C[2]

Industrial Rayon: Reduced volume in tire cord yarn and narrower margins in other lines tend to retard progress, but operating economies help sustain earnings. Dividend seems secure. B[2]

Kayser (Juius) & Co.: With inclusion of profits on sale of Australian subsidiary, earnings for fiscal year just ended estimated to have topped 1953 showing despite unsatisfactory operations. C[1]

Lees (James) & Sons: Aggressive management enables this well known carpet maker to record fairly satisfactory results under difficult conditions. Despite keen competition, profits hold up. B[1]

Lowenstein (M.) & Sons: Rising costs hold margins down, but maintenance of good volume helps sustain earnings. Although earnings may drop slightly, modest extra dividend possible. B[1]

Pacific Mills: Less active demand for synthetics and worsteds holding down sales, but cotton goods show gains. Earnings may drop, but should afford safety for $1.40 dividend. B[2]

Pepperell Manufacturing Co.: Acquisition of addtiional facilities should aid volume for leading cotton goods concern. Earnings expected to show moderate gain for year just ended. B[1]

Powdrell & Alexander: Unsatisfactory operations continue to hamper this small unit in reflecting reduced sales volume. Prospects for return to profitable basis seems doubtful. D[2]

Rayonier, Inc.: Enlargement of production facilities and improvement in operating margins counteract pressure of price competition. Prospects point to adequate dividend margin. B[1]

Reeves Brothers, Inc.: Emphasis on specialties helps offset contraction on margins from keen competition. Little prospect seen for sizable improvement in earnings. C[2]

Robbins Mills, Inc.: Outlook expected to improve with benefit of management changes, following acquisition of control by J. P. Stevens. Benefit of economies anticipated. C[1]

Stevens (J. P.) & Co.: Sharp contraction in volume and shrinkage in profit margins handicap operations. Benefit of consolidation of Robbins activities should aid earnings. B[2]

Textron, Inc.: Outlook confused by move to acquire control of American Woolen. Emphasis on non-textile activities helped to restrict losses. Dividend action regarded as uncertain. C[2]

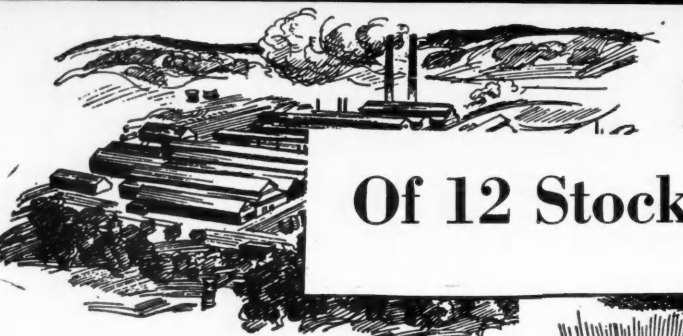
United Merchants & Manufacturers: With increased emphasis on retail distribution, this leading integrated operator believed to have recorded fairly satisfactory earnings in year just ended. B[1]

Van Raalte Co.: Steadier price outlook holds promise of sustaining earnings in second half for leading manufacturer of gloves and lingerie. Adequate margin for $2.60 dividend. B[1]

Wamsutta Mills: Well-established manufacturer of sheets and pillowcases has carried diversification to considerable extent. Fair success achieved in maintaining earnings. C[1]

Wyandotte Worsted Co.: Disappointing demand and difficulty of obtaining satisfactory margins combine to cloud outlook. Little hope of early gain in earnings to basis warranting dividends. D[2]

RATING: A — Best grade. B — Good grade. C — Fair. D — Poor. 1 — Sustained earnings trend. 2 — Lower earnings trend. * — Most attractive of group.



Realistic Appraisal Of 12 Stocks Yielding Over 8%

By OUR STAFF

In a market which has brought the average yield of sound stocks (though not high-grade quality), down to about 5½-6% against a yield of about 6-6½% at the end of last summer—thus showing the effects of the prolonged advance—issues which are still yielding 8% and over-necessarily occupy a conspicuous position, since it is an indication that the general market strength has not been able to spill over into this backward group.

Obviously, stocks which continue to yield abnormally high returns should be subject to especially keen scrutiny, all the more so since such unusually high yields are a lure for many investors; and the temptation to acquire issues of this type is often strong enough to overcome ordinary prudence. On the other hand, a blanket rejection of all stocks that yield materially in excess of the average rates obtainable is not justified as painstaking examination may uncover worthwhile opportunities despite the disqualification which high yields normally connote.

Stocks, for example, may yield high returns because of conditions which have little to do with actual earnings. They may lack market appeal because they are in static industries yet, nevertheless, continue to earn dividends year after year by an adequate margin though not enough to raise dividends. They may be relatively inactive and, therefore, unsuited to general public participation. This would normally have the effect of restricting their price range, thus maintaining yields above average for very long periods despite good earnings.

On the other hand—and this is normal for high-yielding stocks — the dividend position may be in question and, under the process of gradual liquidation by worried stockholders, successive price drops automatically raise the dividend yield, until the inevitable cut or outright passing of the dividend occurs. Obviously, this is a field which requires more than ordinary care as the unknown factors are generally more in evidence here than among the more solidly placed issues which are usually more in the public eye. Yet, for the intending purchaser this is a field that may be worth cultivating, under normal safeguards; and, also, for those individuals who already hold issues on which the yield is far above average. Reappraisal of the position of such uncertain issues might produce worth-while savings if reexamination should lead to disposal of the less secure issues in time to prevent unnecessary losses.

We have just completed a special study of the more representative issues yielding 8% and more and have selected 12 for the attention of our readers. The highlights on each issue are given below, together with pertinent data in the accompanying table.

AMERICAN STEEL FOUNDRIES. Illustrating the difficulties of companies in this field which are faced simultaneously by a decline in defense business and the drop in normal railway equipment demand, this company's earnings in the first half of the current fiscal year through March 31 dropped from \$2.73 to \$2.08 per share notwithstanding the lapse of the excess profits tax. Unfilled orders at the end of that period showed marked deterioration, down from \$65 million the year previous to \$21 million at the end of March. This has resulted in suspension of operations at the East St. Louis plant. On the basis of smaller operations and the decline in incoming business, it is likely that the second half earnings will be below those of the first half. Anticipating this trend, the stock has declined from last year's high of about 40 to current levels around 30. At this price, the stock yields 10% on its \$3 dividend. While the company's financial strength is sufficient to maintain the present rate for a while longer—net working capital is \$53 million on the 1,187,000 shares of capital stock with no prior obligations, the new item of \$2 million in notes payable would seem to indicate that greater conservatism in dividend payments may be required, especially in view of the unsatisfactory outlook for the railway equipment industry. Since 1940, dividend payments have ranged from \$1.50 a share to the current \$3. While present holdings need not be disturbed, new

commitments should be deferred pending clarification of the situation.

BALDWIN-LIMA-HAMILTON. Similar conditions to those prevailing at American Steel Foundries are exerting their influence on Baldwin-Lima. Defense business and new orders for locomotives have shrunk and there is no apparent prospect for early improvement. Earnings of 28 cents a share in the first quarter (latest available data) are slightly above dividend requirements of 20 cents a share for the period. For the full year 1953, earnings were $1.54 a share but 1954's earnings probably will be well below that figure. However, the company's financial position is ample despite the recent re-acquisition of $4,635,000 of its own stock from Westinghouse. The regular dividend can probably be continued for a period, and the stock may be held on a purely speculative long-term basis but new commitments should be deferred. The stock has been sluggish at the level of $9-$10 a share and at current prices of 9½, yields 8.3%.

CAMPBELL, WYANT AND CANNON. Lower military business last year was offset by sustained volume of automobile manufacturing operations, on which this important supplier of iron and iron-steel castings is dependent. However, pressure on profit margins was relatively delayed until the first quarter of this year when earnings fell to 50 cents a share against $1.06 cents for the corresponding period last year. For the full year 1953, earnings were $3.54 a share but, from present indications, earnings will be considerably lower in 1954. Normally, the dividend outlook might have been weakened by the drop in earnings but the financial position of the company is sound and the current rate can be prolonged. At the present lower levels for the stock around 22, present holdings need not be disturbed but new commitments might be deferred temporarily. The long-range outlook for this well-managed company is satisfactory.

CONGOLEUM-NAIRN. This company's slump in earnings in the first quarter of 1954 when only 6 cents a share was earned was probably due in part, at least, to the cost of integrating into its operations the 1953-acquired Sloan-Blabon Corp. a subsidiary of Alexander Smith, Inc. It is believed that the acquisition has improved the position of Congoleum, which is one of the leaders in the business of producing hard-surface floor and wall coverings. With new capacity available and with sustained demand, owing to house renovation and the record new housing in sight, it is anticipated that sales for the balance of the year will improve. On the other hand, in view of the poor earnings for the first quarter, some doubt is cast on the dividend, especially since dividend coverage in 1952 and 1953 had not been too pronounced. The present dividend rate is $1.50 a share, against earnings of $2.13 a share in 1952 and $1.96 a share in 1953. At current prices of about 18, the yield is 8.2%. Present holdings need not be disturbed, as the stock seems to have rather fully discounted lower earnings. New commitments, however, may be deferred pending an improvement in nearby quarters.

GENERAL REFRACTORIES. Companies linked directly to the steel industries, especially equipment makers and suppliers of materials, have been affected by the slow-down in steel operations. General Refractories has been no exception. As one of the largest suppliers of fire brick and other heat resisting materials for lining furnaces, the company obviously is directly dependent on orders from the steel industry. Reflecting the lower trend, earnings for the first quarter were 56 cents a share against $1.12 a share for the corresponding period in 1953. For the years 1952 and 1953, the company made a satisfactory showing with earnings of $4.39 and $4.26 a share respectively. General Refractories has had an excellent post-war record with earnings ranging as high as $8.02 a share in 1951. On an adjusted basis (stock split 2 for 1) the company paid dividends of $2 a share in 1952, including a 42½ cents extra and 2½% in stock; in 1953, it paid $2 a share, including a 40-cent extra. The current rate is 40 cents a share and seems secure but unless improvement in earnings sets in soon, there might be some question as to the year-end dividend of 40 cents. At current prices, the stock seems to have discounted the downturn in earnings to a substantial extent and present holdings need not be disturbed especially in view of the satisfactory financial position of the company. The stock has (*Please turn to page* 491)

12 Companies with Dividend Yields of 8% or More

	1952 Net Per Share	1952 Div. Per Share	1953 Net Per Share	1953 Div. Per Share	1954 1st Quar. Net Per Share	1954 Full Year Indicated Div.*	Price Range 1953-54	Recent Price	Indicated Div. Yield
American Steel Foundries	$ 5.09	$ 3.00	$ 5.34	$ 3.00	$ .77	$ 3.00	40 -25⅝	30	10.0%
Baldwin-Lima-Hamilton	1.51	.60	1.54	.75	.28	.80	11⅞- 8	9½	8.3
Campbell, Wyant & Cannon	4.07	2.00	3.54	2.00	.50	2.00	27¾-20¼	22	9.0
Congoleum-Nairn	2.13	1.50	1.96	1.50	.06	1.50	24½-17½	18	8.2
General Refractories	4.39	2.00[1]	4.26	2.00	.56	2.00	25¼-19	21½	9.3
Greenfield Tap & Die	3.37	2.00	3.22	2.00	.72	2.00	23¾-19½	22	9.0
Hudson Bay Mining & Smelt.	5.45	5.00	4.24	4.00	.93	4.00	59¾-36¼	46	8.6
International Silver	7.04	4.50	6.45	4.00	1.48	4.00	54 -36⅛	45	8.8
Lukens Steel	7.29	2.50	11.35	4.00	4.14[2]	4.00	45¾-36⅝	42	9.4
Magnavox Co.	1.80	1.50	2.93	1.50	.43	1.50	22¼-15⅝	18	8.3
New York Air Brake	2.63	1.60	2.84	1.60	.81	1.60	23⅛-17½	18½	8.6
Wheeling Steel	6.44	3.00	7.49	3.00	.48	3.00	40⅜-30⅛	36	8.3

1—Plus stock. 2—24 weeks ended April 10, 1954. *—Based on payments in 1953.

FOR PROFIT AND INCOME

Selective

If "average" stock prices mean anything, they have at this writing recovered all of, but not signilcantly more than, the ground lost in sharp, even though brief, reaction in the forepart of June. Whether the over-all upward course begun last September can be importantly extended now remains to be seen. On balance, institutions will no doubt remain buyers. Among individuals, demand for stocks seems not much in excess of supply for sale at present. A renewed upward push probably would involve some shifts in market leadership. Stock groups currently behaving worse than the market include tobaccos, ethical drugs, oils; and, to a lesser degree in most cases, autos, auto parts, finance companies, liquor, soft drinks, steel and movies. Those recently performing materially better than the market include air lines, aluminum, building materials, containers, electrical equipments, food brands, machinery, department stores, mail order stocks, radio-TV, textiles, natural gas, insurance stocks and tires.

Tobaccos

You do not need to be told what is the matter with the cigarette stocks. The flow of adverse medical publicity continues—the latest blast direct from the American Cancer Society. The stocks are down sharply. No doubt most smokers, including many doctors, will continue smoking. But some are quitting or cutting down; and it does not take much of that to hurt profits appreciably. As noted here earlier, these once conservative-income stocks have become speculative. A basis for more than rallies is not now apparent. There is probably still a good deal of investment money that will be shifted out of these issues as opportunely as possible—but out.

Drugs

Drug stocks recently sagging to new lows for the year include Abbott Laboratories, Merck, Pfizer and Parke, Davis, all so-called ethical drug issues. The dividing line between these and proprietary drug makers is less sharp than formerly, since many of the latter make at least some drugs sold only on prescription; and some of the former make proprietary drugs as well as prescription drugs. In this general field, Lambert and Rexall Drug have been weak; Norwich Pharmacal and Sterling Drug firm around 1954 highs; Bristol-Myers so-so. Evidently some institutional money has been moving out of the so-called "wonder-drug" stocks, which had their own bull market culminating in 1951. The patience of some holders has been worn out by the failure of most of these stocks to participate in the market rise of the last nine months or so.

Too Much

Largely due to institutional demand, the oil group participated fully in the market advance begun last September, reaching an all-time high level by late May. Its sell-off in early June moderately exceeded that of the industrial list; and on the subsequent renewal of market strength the group has lagged to date. The

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1954	1953
M. & M. Wood Working	Year Febr. 28	$1.22	$ .77
Smith (A. O.) Corp.	Quar. April 30	1.53	1.20
Union Tank Car Co.	Quar. Mar. 31	1.17	.82
Consumers Power	12 mos. April 30	3.17	2.81
Carrier Corp.	12 mos. April 30	4.94	4.46
Oliver Corp.	6 mos. April 30	.50	.29
Servel, Inc.	Quar. April 30	.15	.02
Eastman Kodak	12 Weeks Mar. 21	.70	.59
Twentieth Century-Fox Film	13 Weeks Mar. 27	.74	.37
Pet Milk Co.	Quar. Mar. 31	.57	.23

trouble is plain: too much crude oil output and imports; and oversupply of refined products, especially gasoline. There has been some easing in product prices. This seems unlikely to extend to crude, since early and sizable cuts in production are indicated. Oil supply and price problems are always corrected, but in a matter of months rather than overnight. Why individual investors should be in any hurry about buying oils is hard to see. But institutions, not much concerned with interim adjustments in a basically favored industry, no doubt will remain on the buying side. The group may not do as well as the market for a time, but seems unlikely to "fall out of bed". In fact, it would not take much buying to put some individually favored issues to new highs.

Strong

Outstanding strong stocks are currently fewer in number than was so before the market shakeout in the forepart of June, but they nevertheless make up a sizable list. At this writing it includes, among others, Aluminum Company, American Can, American Chicle, Federated Department Stores, General Electric, General Foods, General Shoe, Inland Steel, International Paper, Illinois Central, National Lead, Borden, Food Machinery, Colgate, Penney, Thompson Products, Atchison, Champion Paper, Clark Equipment, Kansas City Southern, Owens-Corning, Outboard Marine & Mfg., Radio Corp., United Aircraft, Sterling Drug and Union Carbide. On earnings and yield, some of these stocks look quite high: for instance, Aluminum Company, American Can, General Electric, National Lead, Owens-Corning, and Union Carbide. But they are good stocks, and many of them darlings of the fund managers. Very few "cats and dogs" are getting any play in this market.

Autos

The Packard-Studebaker merger follows that of Nash-Hudson and Kaiser-Willys, reducing the car producers of any importance to six companies. There is conjecture that it might be cut further in time by combination of Packard-Studebaker with American Motors (new name of the Nash-Tudson combine), and by possible absorption or elimination of Kaiser-Willys, which is losing money. The mergers will result in some economies, but hardly boost sales—and comparatively low sales of all the smaller companies have been their main trouble. Even Chrysler has no small problem in this respect, due to competitive gains by General Motors and Ford. The smaller is the production run on any model, the higher are unit costs. The larger is output, the more feasible become plant "automation" and increased integration, including production, rather than outside buying, of a substantial portion of parts. Regardless of mergers, prospects remain dubious for companies apart from the "Big Three". For investment purposes, we would continue to string along with General Motors.

Ford

There is increasing expectation that a substantial block of shares of Ford Motor Company, perhaps most of those held now by Ford Foundation, will be distributed to the investing public in a matter of months, followed by listing on the Big Board. In view of the interest in this company and the progress it has made under the present management, any such offering no doubt would be snapped up quickly, since it surely would be priced to assure success. The talk has added to the interest in stock of Ford Motor of Canada, of which 1,588,960 non-voting shares are traded on the American Stock Exchange, as well as on Canadian exchanges. The stock has had a wide advance in recent years, which was sharply extended this year to high of 102. Currently the issue has reacted to around 88. If not a bargain, neither is the price too fanciful. Earnings for 1954 are likely to be fairly near 1953's $12.07 a share. The stock is selling for less than 7.5 times the latter figure, yielding about 4.8% on 1953 dividends of $4.25, which included a $1.25 extra, and which should be equalled this year. As here, Ford is making a good showing in Canada; and Canadian long-run economic prospects are promising.

Bank Stocks

The reduction in reserve requirements recently ordered by the Federal Reserve Board will free about $1.5 billion of reserves, and permit an expansion of up to some $9 billion in bank loans and investments. There will be a seasonal rise in loans; but, in reflection of business recession, the full-year volume no doubt will be somewhat under last year's. The rate of return on loans will also be reduced, due to lower interest rates. The principal use of the credit-expansion leeway will be bank investment in Treasury obligations, the primary purpose of the Federal Reserve move having been to facilitate Treasury deficit financing between now and the year end. So far as can be seen now, the bulk of such financing, and perhaps all of it, will be short-term or medium-term, carrying relatively low rates. Nevertheless, the outlook for bank earnings has been moderately improved, especially in the case of New York City and Chicago banks, since percentage reduction in their reserve requirements exceeds that of other banks. On average, earnings for 1954 may be slightly above 1953's. Dividends are secure.

Mixed

Full-year steel earnings probably will be about as mixed as they were in the first quarter, reflecting differences in EPT savings, if any, trade positions, accelerated amortization, etc. Some companies went from profits a

(*Please turn to page* 494)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

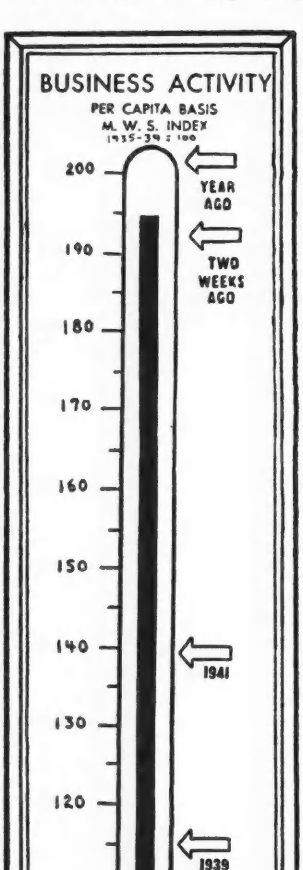
		1954	1953
National Container Corp.	Quar. Mar. 31	$ .19	$ .32
Minneapolis-Moline Co.	Quar. April 30	.16	1.65
Philco Corp.	Quar. Mar. 31	.62	.88
Anaconda Copper Mining	Quar. Mar. 31	.47	.93
Continental-Diamond Fibre	Quar. Mar. 31	.19	.48
Greyhound Corp.	Quar. Mar. 31	.03	.13
Magnavox Co.	Quar. Mar. 31	.43	.67
Amer. Crystal Sugar Co.	Year Mar. 31	3.16	4.30
Clinton Foods, Inc.	6 mos. Mar. 31	1.16	1.94
United Electric Coal Cos.	Quar. April 30	.15	.44

The Business Analyst

What's Ahead for Business?

By E. K. A.

Unemployment, after declining seasonally since March, has taken a sharp jump during the past few weeks, and it is reasonably certain that unemployment will be much in the news during the next few months. The sharp rise is due, of course, to the emergence on the labor market of a fresh crop of school and college graduates. It happens every year at the end of June, but the crop is bigger this year and the youngsters are having a harder time in finding employment than in recent years.



During most postwar years, in fact, many youngsters had jobs all lined up long before they had matriculated. But, with industrial activity down and business hesitant, employers have been reluctant to take on trainees to the same extent as in other years, particularly since there are so many experienced people available in the ranks of the unemployed. Eventually, most of the youngsters will find work although some months may elapse before they do.

Unless business activity rises much more vigorously than usual this Fall, and there are no indications as yet that this will occur, the latter part of this year will be marked by rather rapidly rising unemployment. By the end of this year, total unemployment may be as large as at present which is reported to be 3.3 million and is almost certain to be somewhat larger than the 1953-54 winter high of 3,725,000 recorded last March.

Last Fall, rapidly rising unemployment created quite a stir in both business and political circles, and this is likely to occur again this coming Fall. Although there are definite seasonal swings in unemployment, those who favor the adoption of doubtful panaceas to stimulate business and employment seem to prefer to ignore the seasonal movements. Each year in the Spring, large numbers of workers are absorbed from the ranks of the unemployed into agriculture, the construction trades, and numerous other outdoor and seasonal occupations. And, every Fall, these jobs fold up again.

The new government series on employment and unemployment are not comparable with the old series, and hence it is impossible to make close comparisons between the current period and other periods when industrial activity was down a bit. From the March total of 3,725,000, unemployment declined to 3,305,000 in May. During this period, agricultural employment increased by 947,000 and non-agricultural employment by only 72,000. Hence, it is only too apparent that the decline in unemployment since last Winter has been almost entirely the result of workers finding jobs in a highly seasonal industry, agriculture.

The Full Employment Act did not carefully define just what constituted full employment. A year ago, when there were only 1,548,000 unemployed according to the old government series, we were in a period of super full employment. Many have come to regard a minimum of 2,000,000 unemployed as representing full employment and a maximum of 4,500,000 to 5,000,000 as a dangerously high level of unemployment.

There is nothing scientific about these determinations. Many thoughtful students of the economy regard the minimum figure of 2,000,000 as low and feel that such a low figure can be perpetuated only through dangerous inflationary stimuli to the economy. With the population and the total labor force—both employed and unemployed combined—tending to increase at the highest rate in history, there well may be periods when unemployment could increase substantially without cause for alarm.

The armed services in May totaled 3,361,000, and this figure might rise if the international situation becomes worse. Total civilian employment was 61,119,000 comparing with 61,658,000 (old series) a year earlier. Although the figures are not strictly comparable, it is apparent that the actual decline in employment has not been great. But, the data do suggest that a period of relative stability in the economy—such as well may be in the cards for some months after a long period of super boom—would result in higher unemployment.

The Business Analyst

HIGHLIGHTS

MONEY & CREDIT—The Federal Reserve Board has provided additional armor for its easy money policy by another reduction in member bank reserve requirements, the second cut in a little less than a year. Member banks in Central Reserve cities (New York and Chicago) will have to put up as reserves only 20% of their demand deposits as compared with the previous requirement of 22%, while reserves on this type of deposit for other banks are cut by one percentage point; to 18% for city banks and 12% for country banks. At the same time, reserves against time deposits are uniformly reduced to 5% for all banks against the 6% previously required.

It is estimated that the Board's action will release more than $1.5 billion from reserves, an amount that will enable the member banks to increase their loans and investments by some $9 billion if they so desire. This will expedite the raising of funds by the Treasury in the second half of this year when tax receipts are small and some $10 billion of new money will be needed. Although this will solve some of the Treasury's problems, it will also, in the normal course of events, tend to further expand the nation's money supply which has been holding at high levels even without this assistance. Thus on May 26, 1954, total deposits and currency amounted to $198.0 billion or $5.9 billion ahead of the corresponding 1953 date. This is the first business recession in which the money supply has failed to drop below year-ago levels and the Federal Reserve's policy will undoubtedly make for a further expansion. Although this may be the best way to fight a contraction in business it also aggravates inflationary tendencies in the economy.

News of the cut in reserve requirements brought cheer to the bond markets, although the price improvement was moderate. The Treasury's Victory 2½s of 1972-1967 gained ⅜ in the two weeks ending June 28 while the 3¼s of 1983-1978 were unchanged. Best-grade corporate obligations exhibited only nominal changes although new issues received a better reception. It was in the field of tax-exempts that the most progress was made and the sharp diminution in the supply of new offerings must receive a good part of the credit for this. The Bond Buyer's yield index of tax-exempt bonds fell to 2.41% on June 24 from 2.51% two weeks earlier but most of the drop in yields occurred prior to the announcement of the reduction in reserve requirements. All in all, the bond markets response to the loosening of reserves was of a restrained nature, reflecting wide-spread investor conviction that the Federal Reserve will act to hold any drop in interest rates to moderate proportions.

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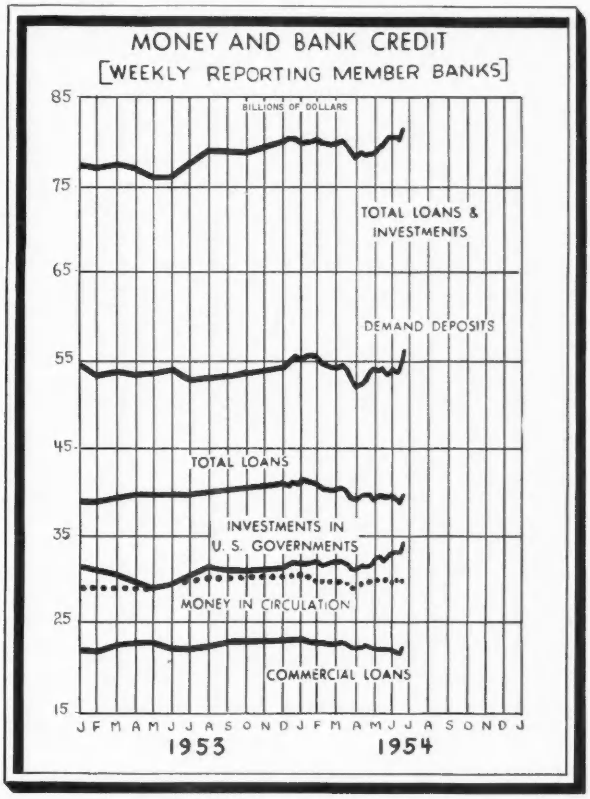
TRADE—There was some pick-up in retail sales in the week ending Wednesday, June 23, and the stores were able to match their dollar volume of the corresponding 1953 period, according to estimates by Dun & Bradstreet. Father's Day promotions received a better response than last year and forceful attempts to encourage Summer buying seemed to be getting results. The Northwestern areas of the nation had the best gains over last year, with an average improvement of about 3%, while the Pacific Coast made the worst showing



with a 4% drop from 1953 levels. Apparel was in good demand during the week but food sales lagged. Furniture stores and houseware departments reported better sales while electric fans and room coolers were popular.

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INDUSTRY—Production in June has improved somewhat over May results and new orders received by manufacturers have also been tending upward, according to the latest report by the National Association of Purchasing Agents. The Association also finds that the inventory situation looks better in many cases and that industrial employment is running higher than the month before.

The MWS Index of Business Activity indicates that output has been increasing since the end of April when the index stood at 183.5. For the week ending June 19 it was up to 194.3 and it averaged 188.5 for the month of May.

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COMMODITIES—The Bureau of Labor Statistics' comprehensive index of commodity prices declined again in the week ending Tuesday, June 22, to close at 109.9% of the 1947-1949

(Continued on following page)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	May	3.2	3.6	4.4	1.6
Cumulative from mid-1940	May	551.0	547.8	501.3	13.8
FEDERAL GROSS DEBT—$b	June 22	271.2	273.1	265.4	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	June 16	56.2	54.8	55.0	26.1
Currency in Circulation	June 23	29.7	29.8	29.9	10.7
BANK DEBITS—(rb3)**					
New York City—$b	Apr.	60.5	64.1	52.0	16.1
344 Other Centers—$b	Apr.	96.1	97.5	95.4	29.0
PERSONAL INCOME—$b (cd2)	Apr.	282	283	283	102
Salaries and Wages	Apr.	189	190	193	66
Proprietors' Incomes	Apr.	49	50	49	23
Interest and Dividends	Apr.	23	23	22	10
Transfer Payments	Apr.	16	16	14	3
(INCOME FROM AGRICULTURE)	Apr.	16	17	17	10
POPULATION—m (e) (cb)	May	162.0	161.8	159.3	133.8
Non-Institutional, Age 14 & Over	May	116.1	116.0	114.9	101.8
Civilian Labor Force	May	64.4	64.1	63.0	55.6
Armed Forces	May	3.4	3.4	3.5	1.6
unemployed	May	3.3	3.5	1.3	3.8
Employed	May	61.1	60.6	61.7	51.8
In Agriculture	May	6.8	6.1	6.6	8.0
Non-Farm	May	54.3	54.5	55.1	43.2
Weekly Hours	May	41.6	41.4	42.1	42.0
EMPLOYEES, Non-Farm—m (lb)	May	47.9	48.1	49.5	37.5
Government	May	6.7	6.7	6.6	4.8
Trade	May	10.4	10.5	10.4	7.9
Factory	May	12.4	12.6	13.9	11.7
Weekly Hours	May	39.3	39.0	40.7	40.4
Hourly Wage (cents)	May	181.0	180.0	176.0	77.3
Weekly Wage ($)	May	71.13	70.20	71.65	21.33
PRICES—Wholesale (lb2)	June 22	109.9	110.0	109.5	66.9
Retail (cd)	Apr.	208.1	208.3	207.9	116.2
COST OF LIVING (lb2)	May	115.0	114.6	114.0	65.9
Food	May	113.3	112.4	112.1	64.9
Clothing	May	104.2	104.1	104.7	59.5
Rent	May	128.3	128.2	123.0	89.7
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Apr.	14.2	13.9	14.3	4.7
Durable Goods	Apr.	4.9	4.9	5.1	1.1
Non-Durable Goods	Apr.	9.4	9.0	9.2	3.6
Dep't Store Sales (mrb)	Apr.	0.83	0.79	0.84	0.34
Consumer Credit, End Mo. (rb)	Apr.	27.3	27.2	26.8	9.0
MANUFACTURERS'					
New Orders—$b (cd) Total**	Apr.	23.1	22.8	25.7	14.6
Durable Goods	Apr.	10.1	10.1	12.7	7.1
Non-Durable Goods	Apr.	12.9	12.7	13.0	7.5
Shipments—$b (cd)—Total**	Apr.	24.4	24.1	26.4	8.3
Durable Goods	Apr.	11.5	11.4	13.4	4.1
Non-Durable Goods	Apr.	12.9	12.7	13.0	4.2
BUSINESS INVENTORIES, End. Mo.**					
Total—$b (cd)	Apr.	79.6	80.1	79.0	28.6
Manufacturers'	Apr.	45.3	45.8	45.2	16.4
Wholesalers'	Apr.	11.6	11.8	11.4	4.1
Retailers'	Apr.	22.7	22.6	22.4	8.1
Dept. Store Stocks (mrb)	Apr.	2.3	2.3	2.4	1.1
BUSINESS ACTIVITY—1—pc	June 19	194.3	192.5	201.5	141.8
(M. W. S.)—1—np	June 19	241.5	239.3	245.9	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 473)

average. This is the fifth consecutive week of lower prices and the index has dropped 1.3% during the period to its lowest point since November, 1953. The index, currently, is not far from last year's low of 109.2 which was reached in February of that year.

In the latest week the decline amounted to only 0.1% with farm products and processed foods accounting for the drop. Meats were especially weak, losing 1.9%.

CONSTRUCTION CONTRACT AWARDS in May were at very high levels, amounting to $1.9 billion, according to F. W. Dodge reports from the 37 states east of the Rockies. This was 14% ahead of April, 20% above May, 1953 and was exceeded only in May, 1951 and September, 1952. The latest contract award figures were not swollen by any exceptionally large projects such as those of the Atomic Energy Commission, which helped boost the totals in previous years. Contracts for residential building featured the May awards, amounting to $825 million or 29% ahead of May, 1953. Nonresidential awards came to $672 million, or 16% above a year ago while the public works and utilities classification amounted to $428 million, an 11% gain. Total contract awards in the first five months of 1954 totaled $7.5 billion, a new high and 11% above the corresponding 1953 period.

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EXPORTS from the United States spurted in April to $1,421 million, topping the year-ago figure of $1,394 million, the Census Bureau has announced. This is the first time this year that exports have risen above the corresponding 1953 month. The April export rise was achieved despite a big drop in military shipments under the Mutual Security Act, from $340 million in April, 1953 to $167 million this April. **IMPORTS** into this country in April were valued at $957 million, an increase over the March level of $858 million but down from the $1,013 million worth of goods imported in April, 1953.

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New orders for **MACHINE TOOLS** were down slightly in May and the National Machine Tool Builders Association's index of such orders fell to 139.9% of the 1945-1947 average from 142.8% in April and 246.4% in May, 1953. Shipments were also lower but still far above new orders at 258.6% of the base period. Machine tool output is still high, with the index of production at 373.8% of the 1945-1947 average, against 378.5% a month ago. At current output rates it would take 3.8

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—la np (rb)	May	125	123	137	93
Mining	May	112	111	117	87
Durable Goods Mfr.	May	135	134	156	99
Non-Durable Goods Mfr.	May	117	115	123	89
CARLOADINGS—t—Total	June 19	707	698	813	933
Misc. Freight	June 19	346	344	389	379
Mdse. L. C. L.	June 19	61	61	67	66
Grain	June 19	57	54	59	43
ELEC. POWER Output (Kw.H.) m	June 19	8,850	8,658	8,329	3,266
SOFT COAL, Prod. (st) m	June 19	8.0	7.6	9.7	10.8
Cumulative from Jan. 1	June 19	173.7	165.7	213.0	44.6
Stocks, End Mo.	Apr.	71.0	72.0	70.5	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	June 19	6.5	6.5	6.5	4.1
Gasoline Stocks	June 19	169	171	148	86
Fuel Oil Stocks	June 19	49	48	44	94
Heating Oil Stocks	June 19	80	77	82	55
LUMBER, Prod.—(bd. ft.) m	June 19	263	264	262	632
Stocks, End Mo. (bd. ft.) b	Apr.	9.2	9.2	8.0	7.9
STEEL INGOT PROD. (st) m	May	7.5	7.0	10.0	7.8
Cumulative from Jan. 1	May	36.8	29.3	48.5	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	June 24	313	319	250	94
Cumulative from Jan. 1	June 24	6,504	6,191	7,421	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	June 19	216	240	210	165
Cigarettes, Domestic Sales—b	Apr.	31	32	32	17
Do., Cigars—m	Apr.	486	477	520	543
Do., Manufactured Tobacco (lbs.)m	Apr.	17	18	19	28

PRESENT POSITION AND OUTLOOK

months to complete all orders still on the books at the end of May. This compares with 4.1 months for April's orders backlog and 7.7 months in May, 1953 at then-current production rates.

* * *

Manufacturers delivered 3,173 new **FREIGHT CARS** in May, down from 4,038 in April and 6,582 in May, 1953, according to a joint announcement by the Association of American Railroads and the American Railway Car Institute. Only 1,071 new freight car orders were placed in May, continuing the gap between new orders and shipments that has prevailed for some time. The backlog of cars on order fell to 15,615 at the end of May, from 17,817 a month earlier. A year ago producers had orders for 57,345 freight cars on their books.

* * *

Output of **PAPER AND BOARD** declined to 2,183,820 tons in April, a 4% drop from year-ago levels, the Census Bureau has reported. Most categories of production were lower with paperboard output down to 973,650 tons, a 7% decline from April, 1953. Production of paper fell less than 1% from a year ago but was 6% under March of this year. Newsprint production bucked the trend, posting a 4% gain over a year ago.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated. en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). la—Seasonally adj. index (1947-9—100). lb—Labor Bureau. lb2—Labor Bureau (1947-9—100). lb3—Labor Bureau (1935-9—100). lt—Long tons. m—Millions. mpt—At mills, publishers and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb3—Federal Reserve Bank of N. Y.—1941 data is for 274 centers. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

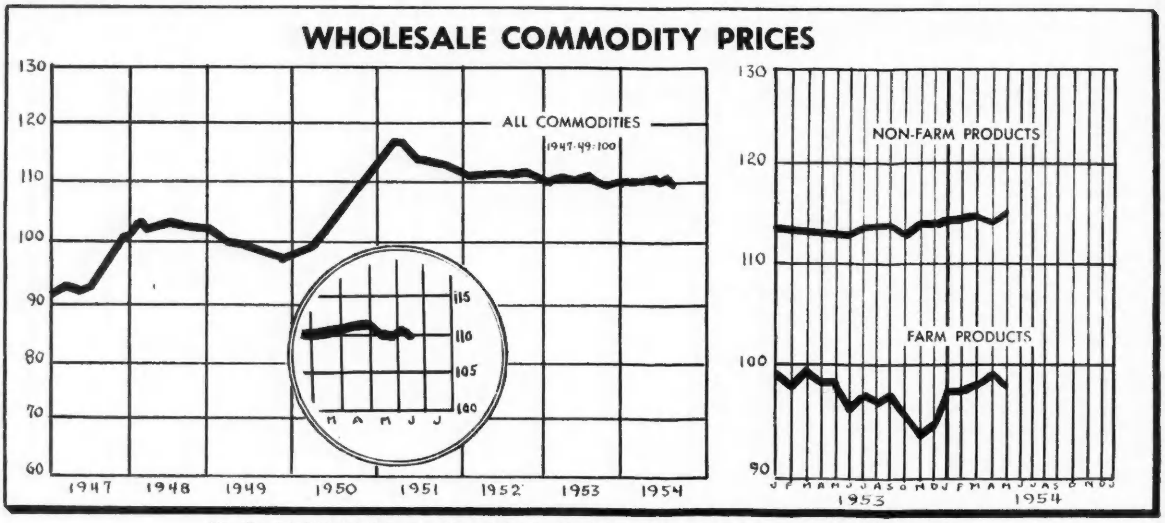
No. of Issues (1925 Cl.—100)	1953-'54 Range High	Low	1954 June 18	1954 June 25
300 COMBINED AVERAGE	222.5	177.2	221.6	222.5A
4 Agricultural Implements	263.7	179.0	211.2	213.0
10 Aircraft ('27 Cl.—100)	596.4	330.3	588.2	596.4
7 Airlines ('27 Cl.—100)	693.9	492.6	571.4	596.0
7 Amusements	114.2	76.4	111.7	112.5
10 Automobile Accessories	289.4	213.8	257.5	252.9
10 Automobiles	49.4	38.4	41.2	40.8
3 Baking ('26 Cl.—100)	28.0	23.0	23.7	23.7
3 Business Machines	467.8	311.4	453.7	460.7
2 Bus Lines ('26 Cl.—100)	273.2	170.2	257.0	245.4
6 Chemicals	409.9	337.9	406.4	409.9
3 Coal Mining	15.4	9.0	10.2	10.0
4 Communications	69.3	58.6	68.7	69.3
9 Construction	80.3	57.0	79.6	80.3A
7 Containers	618.0	456.9	608.2	618.0A
9 Copper & Brass	177.8	125.3	170.9	177.8A
2 Dairy Products	112.4	82.3	111.4	112.4
5 Department Stores	66.6	54.6	66.1	66.6A
5 Drug & Toilet Articles	277.8	203.8	275.4	273.0
2 Finance Companies	482.5	341.8	454.6	450.6
2 Food Brands	217.5	185.0	211.8	217.5A
2 Food Stores	142.3	113.0	136.9	138.2
3 Furnishings	79.2	59.6	62.4	62.4
4 Gold Mining	760.0	502.3	597.7	572.6

(Nov. 14, 1936, Cl.—100)	High	Low	1954 June 18	1954 June 25
100 HIGH PRICED STOCKS	147.3	114.4	145.8	147.3A
100 LOW PRICED STOCKS	260.5	203.7	255.5	255.3
4 Investment Trusts	122.9	93.1	120.9	122.9A
3 Liquor ('27 Cl.—100)	967.8	805.8	822.9	805.8Z
11 Machinery	261.0	181.0	254.9	261.0A
3 Mail Order	128.6	101.0	123.1	124.1
3 Meat Packing	101.7	78.7	90.8	90.8
10 Metals, Miscellaneous	287.4	198.4	283.4	287.4
4 Paper	604.4	394.9	595.2	604.4A
24 Petroleum	505.0	367.5	492.9	484.8
22 Public Utilities	213.8	173.8	213.8	213.8
8 Radio & TV ('27 Cl.—100)	36.9	27.6	31.2	32.0
8 Railroad Equipment	64.1	49.1	58.3	58.9
20 Railroads	53.2	41.8	48.9	49.3
3 Realty	65.4	42.3	65.4	65.4
3 Shipbuilding	360.0	228.7	360.0	357.1
3 Soft Drinks	433.3	339.0	421.9	418.1
11 Steel & Iron	161.1	122.8	158.5	157.2
3 Sugar	59.8	45.9	52.3	51.4
2 Sulphur	698.6	525.5	666.4	682.5
5 Textiles	162.2	101.3	117.5	117.5
3 Tires & Rubber	103.6	70.4	102.7	103.6A
5 Tobacco	105.2	76.1	80.3	76.1Z
2 Variety Stores	319.5	274.4	283.0	291.7
16 Unclassified ('49 Cl.—100)	125.7	97.0	117.6	118.7

A — New High for 1953-1954. Z — New Low for 1953-1954.

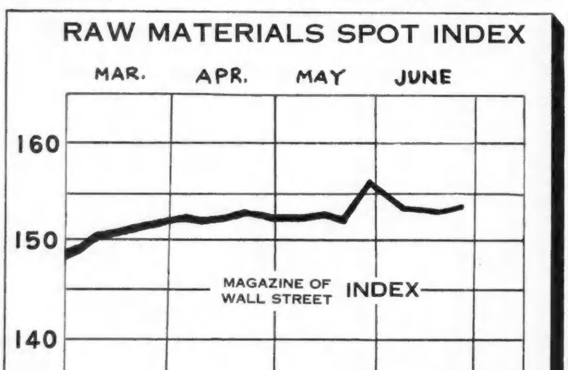
Trend of Commodities

Commodity futures again followed individual trends in the two weeks ending June 28, with crop and political developments getting the most attention. The Dow-Jones Commodity Futures Index rose a bare 63/100 of a point during the period to close at 179.31. Grains were mixed with wheat lower while corn and oats futures moved up. September wheat lost 2½ cents in the period ending June 28 to close at 194. The period was marked by a sharp drop in prices followed by a recovery which retraced a good part of the decline. The improvement set in on the Department of Agriculture's announcement of a big reduction in acreage allotments for 1955, to 55 million acres, from the 63 million acre allotment for this year. Two-thirds of the growers will have to approve the program in order for supports to become effective and July 23 has been set as the date for the vote. The House of Representatives has passed the bill for foreign disposal of domestic farm surpluses and this brought in buying, although the Senate still has not acted on the measure. Wheat futures are selling about 50 cents under support levels and farmers are eagerly looking for storage space in order to qualify for the Government loan, thus holding the grain off the market. September corn strengthened in the two weeks ending June 28 and finished with a net gain of 2¼ cents. The 1954 pig crop is expected to be 12% higher than last year and this has brightened the consumption outlook. However, the corn crop this year is expected to be a large one and the CCC is still offering the grain for sale from its large holdings. Nearby cotton futures continued to give ground in the fortnight under review and the October option lost 26 points to close at 33.85 cents. Crop weather has been favorable and liquidation by holders of the July, 1954 future adversely affected later options.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—1947-1949, equals 100

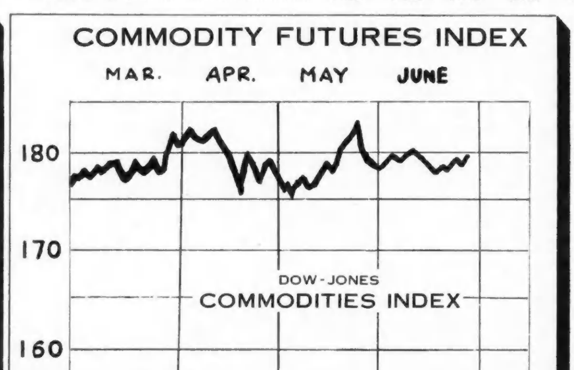
	Date June 25	2 Wks. Ago	3 Mos. Ago	1 Yr. Ago	Dec. 6 1941
22 Commodity Index	92.1	92.3	90.7	87.0	53.0
9 Foodstuffs	99.7	99.1	101.9	87.0	46.1
3 Raw Industrial	87.1	87.7	83.5	86.8	58.3
5 Metals	96.5	97.3	87.9	98.7	54.6
4 Textiles	87.3	87.6	86.3	90.0	56.3
4 Fats & Oils	70.6	71.2	77.0	55.0	55.6



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	162.2	181.2	215.4	111.7	88.9	67.9	57.7	86.6
Low	147.8	160.0	176.4	98.6	58.2	48.9	47.3	54.6



Average 1924-26 equals 100

	1953-'54	1952	1951	1945	1941	1939	1938	1937
High	181.9	192.5	214.5	95.8	74.3	78.3	65.8	93.8
Low	153.8	168.3	174.8	83.6	58.7	61.6	57.5	64.7

Keeping Abreast of Industrial and Company News

When the brewers of beer in this country decided to put part of their production in cans for distribution at retail in supermarkets and other outlets, they created a market for the can manufacturers that has grown to approximately 6.5 billion 12 ounce cans annually. This volume is apt to be topped by the increasing use of cans by the soft drink manufacturers. While it is somewhat early to make a firm prediction, **American Can Company** is of the opinion that if the trends that have marked the success of the beer can are paralleled in the soft drink industry, a potential market of 12 or 13 billion soft drinks cans is a possibility.

Devotees of "scrabble" might like to add "monochlorodifluoromethane" to their vocabularies. That's the substance **E. I. duPont deNemours & Co.,** calls "Freon 22" commonly used as a refrigerant and aerosol propellent, and as an intermediate in the manufacture of its "Teflon" tetrafluoroethylene resin. The company plans construction of a new plant at Louisville, Ky., augmenting those at Deepwater Point, N. J., to increase production of "Freon 22," use of which has increased substantially in the last two years in home refrigerators, freezers, and air-conditioning units.

According to a statement by **Radio Corporation of America,** color television reception is now possible in 35 large cities and, by 1955, 125 TV stations should be equipped for broadcasting in color.

Within the next week or two **Armour & Co.,** expects to have national distribution through the large chains as well as independent stores for its "breakfast beef" to compete with "breakfast bacon." One of the advantages is that the new product will sell at 18 to 20 cents a pound under fried egg's companion of years' standing on the breakfast plate.

Growing competition in oil products has resuulted in a **Standard Oil Co. of N. J.,** affiliate to grant a discount of a quarter of a cent a gallon at the wholesale level in the North Atlantic area, followed recently by the granting of a discount of 10 cents a barrel on heavy fuel oil from the established price of $2.25 in New York Harbor. Companies in the Gulf Coast refining area are reported to have made reductions recently of one-quarter of a cent a gallon in bulk cargo prices of regular gasoline, light fuel oil and kerosene.

Sheffield Steel Corp., a wholly-owned subsidiary of **Armco Steel Corp.,** was consolidated on June 30, with the parent company and henceforth will be operated as the Sheffield Steel Division of Armco. Since acquisition in 1930, Sheffield's annual ingot capacity has increased from 200,000 tons to 1.7 million tons. Its steel producing plants at Kansas City, Mo., Sands Springs, Okla., and Houston, Tex., account for about 35% of Armco's total ingot capacity.

On Aug. 17, next, stockholders of **Packard Motor Car Co.,** and **Studebaker Corp.,** will vote on a plan, already approved by directors of the two companies, to consolidate these two old-line automobile makers into a new company to be known as the Studebaker-Packard Corp. Under the proposal, Packard stock would be reclassified, each five shares of common stock now outstanding becoming one share of $10 par value common in the new company. Each share of Studebaker would be exchanged for one and one-half shares of the new company's common.

Boeing Airplane Co., which has been turning out gas turbine engines for some time now, announces a new model in this line, combining the advantages of greater power and more economy over its predecessor. Designated the Boeing Model 502-10, the new engine is a development of Model 502-2 which powers a variety of vehicles, aircraft, boats, pumps, compressors and generators. The new model produces a maximum of 270-hp., and its normal rated power is 240-hp., an increase of 65-hp. over the earlier type Boeing gas turbine engine. In stepping up normal rated power of the 502-10, fuel consumption has been reduced by 25 per cent.

Jointly with North Canadian Oils, Ltd., **St. Regis Paper Co.,** is working on plans for the financing and construction of a 300-ton bleached sulphate kraft pulp mill at Edson, Alberta. Under the plan St. Regis and North Western Pulp & Power Co., a subsidiary of North Canadian, will each provide $5 million of a proposed $10 million equity capital, while $20 million senior financing will be obtained through other sources. An engineer's report, it is indicated, reveals basic costs at a level well able to meet those of competing mills. The mill will have a perpetual timber supply. Requirements for 65 years are said to be now available without allowing for regrowth. North Western Pulp holds an agreement with the Alberta Government for long-term cutting rights on an area over 4,000 square miles in that province.

Trans World Airlines announces the adoption of what it considers to be the fastest and most comprehensive travel credit system in the airline industry. Under this system a prospective traveler fills out a simple credit form, makes a 10% down payment on the total cost of his airline ticket. Within hours he can be on his way to any place in the world. The plan, worked out with the **Pacific Finance Corp.,** provides for the balance to be paid in monthly instalments, spread over a period of as much as 20 months. Pending approval by the CAB, the TWA Time-Pay-Plan will be available at TWA ticket offices, and through leading travel agents, starting August 1.

A device that achieves a dream of pipeline men since the birth of the industry 93 years ago is the "magic eye", developed by **Gulf Oil Corp.'s** research laboratories. Actually, the instrument is called a capacitance recorder that enables an operator to "look into" a pipe and know what is passing through at any given moment. It functions by revealing variations in the electrical properties of the fluid as it passes between two electrodes fixed within the pipe. These changes are recorded on a clock-driven chart and appear thereon as variations. In product pipelines, the "magic eye" permits the handling of multiple products with greater efficiency and economy, separating them more exactly at terminals, and eliminating losses which can occur when less precise methods fail to prevent mixing of portions of two products.

Stockholders of Olin Industries, Inc., and **Mathieson Chemical Corp.,** at special meetings late last month, approved the proposed merger of the two companies. Out of the consolidation will come the Olin Mathieson Chemical Co., having total assets of about $500 million. Its diversified products will include industrial and agricultural chemicals, petrochemicals, pharmaceuticals, non-ferrous alloys and fabricated metal parts, firearms and ammunition, cellophane, explosives, polyethylene film, specialty papers, insecticides, and electrical products.

Daystrom, Inc., has told its stockholders that it is "keenly interested" in entering the atomic energy field. The company already has an electronics instrument division at Archbald, Pa., and has acquired an interest in the Weston Electrical Instrument Corp., is understood to be particularly interested in making instruments for atomic energy purposes. For the purpose of facilitating the Weston Electrical purchase, stockholders have authorized an increase in Daystrom's capital stock from 1,250,000 shares to a new maximum 2,000,000 shares, in addition to creating a new issue of preferred stock of 200,000 shares.

Although the event will not be celebrated for another year, the **Crane Co.** is beginning to look forward to July 4, 1955, when it will observe its 100th birthday. The company began its existence by supplying brass lightning rod tips to a small, local market, and has since expanded operations to where it now has 40,000 products that are used in factories, farms, offices, and homes. These products fall into four principal categories: valves, fittings, and fabricated piping; plumbing equipment; heating equipment, and aircraft accessory equipment. Crane now has under construction at Chattanooga, Tenn., a plant to manufacture titanium.

Mueller Brass Co. states that its new polyethylene that began preliminary operation a short time ago should be in commercial production early this month. As a result of increasing demand for its Streamline copper water tube for plumbing and heating, additional equipment is being installed in the copper tube mill. When the expansion is complete, which should be early in fiscal 1955, the company's production facilities for copper tube will be doubled.

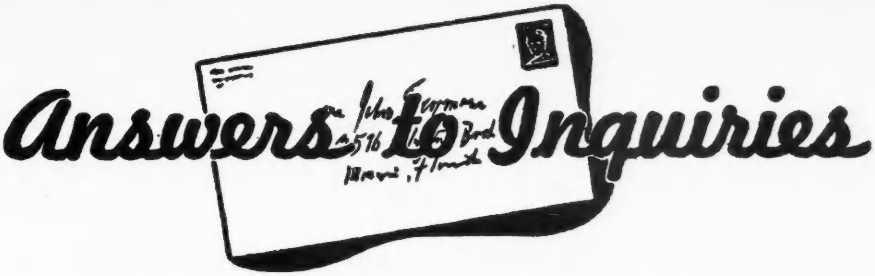
Not so widely known in connection with the Nautilus, the first atomic-powered submarine, is the contribution the **Worthington Corp.** has made in the design of the primary coolant pumps and other special engine room equipment. In an atomic power plant with which the Nautilus is equipped, the "coolant" does more than keep the operating parts at correct temperatures; it is actually the medium for transporting heat energy from the atomic reactor to the steam cycle equipment, where it is transformed into steam power. Worthington is now collaborating in the building of the second of these submarines, the "Sea Wolf." The equipment is similar in many respects, but the liquids handled by the pumps are different, presenting different problems of hydraulic friction, corrosion, temperature and pressure.

Two recent developments at the **Chrysler Corp.,** plants are a lighter and more compact power steering units for Chrysler and De Soto cars, and a new experimental model automobile, the De Soto Adventurer II. Heretofore, Chryslers and De Sotos were equipped with power steering units built by the Gemmer Manufacturing Co., but the new units were produced at Chrysler's former jet engine plant at Trenton, Mich. The company states these new units are more compact than earlier models, have fewer parts and are more efficient, supplying about 80% of the wheel turning effort. The new De Soto Adventurer II is looked upon by the company as a "boldly advanced successor" to the first Adventurer model introduced last November. The new model has a sweeping roof line that blends into the rear deck with only a slight suggestion of a break. A roof window can be operated electrically from the driver's seat.

Lockheed Aircraft Corp. has awarded a contract involving approximately $1 million to **Solar Aircraft Co.,** for Solar's 50-horsepower "Mars" gas turbine engine-powered electrical generator sets. Lockheed will use these units on its C-121C, the military air transport version of the Super Constellation. Solar is also understood to have a $3 million order from **Douglas Aircraft Co.** for the "Mars" units. The generators supply auxiliary and emergency power on the ground or aloft and can be used when main engine-driven generators fail to provide sufficient power.

New York Shipbuilding Corp., a big producer of ocean-going vessels which earlier this year diversified its operations, has now gone into the paint business by acquiring working control of Devoe & Raynolds Co., 200 year old New York manufactuurer of paints, varnishes, lacquers and similar products. The move was designed to diversify still further operations of N. Y. Shipbuilding. In April a merger was arranged with Nesco, Inc., a Milwaukee manufacturer of cooking appliances and other housewares. Besides making general purpose paints, paint brushes and industrial finishes through its Jones-Babney division, Devoe & Raynolds also manufactures synthetic resins and chemicals including "Devran," a resin sold to other paint producers. Chemical operations, which now account for 15% to 20% of the business, may be expanded.

General Motors Corp. expects to start construction soon of a new plant near Warren, Ohio, to house Packard Electric division's copper rod mill. The plant will probably be ready for operation early next year. Cost of the project is estimated at between $1.5 million and $2 million. The one story plant is expected to have facilities for producing copper rod, expanded wire drawing and magnet wire facilities, nylon insulating and extrusion facilities.



Answers to Inquiries

The Personal Service Department of THE MAGAZINE OF WALL STREET *will* answer by mail or telegram, a reasonable number of inquiries on any listed securities in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Give all necessary facts, but be brief.
2. Confine your requests to *three listed securities* at reasonable intervals.
3. No inquiry will be answered which does not enclose *stamped, self-addressed envelope.*
4. No inquiry will be answered which is mailed in our postpaid reply envelope.
5. Special rates upon request for those requiring additional service.

McKesson & Robbins, Inc.

"As a subscriber for many years, I want your advice as to what to do about my 50 shares of McKesson & Robbins, Inc. I am interested in good income return."

M. G., Saratoga, N. Y.

Operations of McKesson & Robbins, Inc. in recent years have been fairly stable and dividend yield at recent market is slightly in excess of 6%, a good return. Accordingly, retention of your stock is warranted.

Net sales of McKesson & Robbins for the nine months to March 31, 1954 were $361,343,647, an increase of $10,657,969 over the corresponding period of 1953. Consolidated net income was $5,209,-215, equivalent to $2.82 per share. This was after provision of $6,-037,029 for Federal income taxes. In the corresponding period of 1953, net income was $5,164,784 which, after provision of $6,122,-460 for Federal income taxes, was equivalent to $2.80 per share. The fiscal year was changed by vote of stockholders to end on March 31, instead of June 30.

As of March 31st, current assets amounted to $149,878,720 and current liabilities were $52,415,-254 indicating net current assets of $97,463,466.

Wholesale drug sales were higher than in the previous year and the gross profit ratio remains stable. Sales of wine and liquor also increased and resulted in higher profits.

Sales and profits of McKesson Laboratories, the company's manufacturing division, continue at satisfactory levels; sales and profits of chemicals improved.

A new drug warehouse and office in Detroit, Michigan and a new warehouse is scheduled for completion in Wichita, Kansas, shortly. A new liquor warehouse now under construction in St. Paul, Minnesota, will be opened in the early fall. Dividends in 1953 totaled $2.50 per share and 62½c quarterly has been paid thus far in the current year.

Beatrice Foods Co.

"I am interested in companies where operations are stable and therefore would like to receive late earnings and other data on Beatrice Foods and dividend payments."

C. I., St. Louis, Mo.

Beatrice Foods is one of the four largest companies in the dairy industry. Acquisition of Creameries of America has expanded operations to the western states and the Hawaiian Islands. Financial position is sound and satisfactory dividend payments indicate the issue has a measure of attraction as a stable income producer.

Consolidated net earnings of Beatrice Foods for the fiscal year ended February 28, 1954, after taxes of $4,828,314, were equivalent after preferred dividends to $3.90 a share on 1,155,243 shares of common stock outstanding at the year-end. For the preceding fiscal year net earnings amounted to $3,993,355, equivalent to $3.67 a share on 1,044,673 common shares then outstanding. Of the increase of 110,570 shares, there were 88,096 issued in the acquisition of other companies.

Dollar sales for the year totaled $275,034,840, compared with $235,204,505 for the previous fiscal year, an increase of 17%. Of the increase, $25,801,479, or 11% of total sales, represented sales by former plants of Creameries of America, now part of Beatrice Foods, for the period August 1, 1953 to February 28, 1954. The increase in sales by Beatrice Foods plants amounted to $14,-$28,856. Total unit sales of all products increased by 18%, the seventeenth consecutive annual increase. Dollar sales of specialty foods and services other than dairy products again reached a new record high with an increase over the previous year of 22%.

Bottled milk and cream sales for the year showed a gain of $16,761,759 and contributed 34% of total dollar sales. Sales of butter on a unit basis were approximately 17% over the previous fiscal year. Only 12% of total butter sales were made to the Government under the farm price support program.

Working capital of the company as at February 28, 1954, amounted to $27,491,799 compared with $23,553,207 a year previously, an increase of $3,938,539. The stockholders' equity in the company increased to $57,052,221 from $43,-750,455 at the end of the previous year.

Dividends including extras totaled $2,25 in 1953; regular dividends at 50c quarterly have been paid thus far in the current year.

Lehigh Portland Cement Co.

"I would appreciate receiving information in regard to Lehigh Portland Cement showing sales volume, net income, dividend payments and prospects over coming months."

F. I., Canton, Ohio

Lehigh Portland Cement operates fifteen cement plants, producing about 9% of the industry's total.

Sales for the three months to March 31, 1954 were $10,196,558, net profit, $1,058,848, equal to 56c per common share. This compares with first quarter of 1953, sales of $10,505,107, net profit $834,093, equal to 44c per share.

Profit in 1953 fiscal year, after provision for Federal taxes, was $6,308,287, or $3.32 per share, compared with $5,828,400 or $3.07 per share in 1952.

Although shipments from Metaline Falls plant fell off sharply because of the curtailment of the Government's public works program in the Pacific Northwest, the shipments from the new plant in Florida more than offset this decline and total shipments the country-over were 3½% higher than in 1952.

Net sales and revenues for the year 1953 were $58,700,291 against $53,853,520 in 1952.

Because of a higher charge against current operations for exhaustion of plant assets and because of a substantial adjustment in reserve for Federal income taxes, there was an increase of $4,607,015 in working capital. Stockholders' equity on December 31, 1953 was $64,238,827. Book value was $33.78 per share.

The company plans to expand Bunel, Florida plant to increase cement production by 80%. The doubling of the Alsen, New York plant's capacity and expiration of excess profits taxes, (equal to 32c a share in 1953) should benefit earnings this year. Prospects continue favorable and dividends should continue at 30c quarterly, a conservative rate.

Melville Shoe Corp.

"I am retired and dependent on income from a company pension fund, Social Security and income from securities. I am interested principally in good income stocks. Please report recent earnings of Melville Shoe Corp."

S. P., Worcester, Mass.

Melville Shoe Corp., founded in 1892, is the largest integrated shoe-manufacturing-retailing organization in the country. It is fifth in net sales and second in net earnings in the shoe industry. It operated at the year-end 794 stores in 43 states and the District of Columbia, 12 factories in New Hampshire and Massachusetts; 2 warehouses, 1 in Worcester, Mass., the other in New York City. Sales are principally in the men's and boys' field, although merger of Miles Shoe improved Melville's position in the women's retail field.

Net earnings for the year 1953 amounted to $5,732,798 as against $4,712,170 in 1952. This is equivalent to $2.02 per share of common stock outstanding, compared with $1.91 per share in the previous year.

Total sales were $145,164,638 as compared with $124,466,866 in 1952. Sales at retail were $99,-551,583 compared with $77,362,-760 in 1952. Net inventories of $12,733,240 compared with $12,-214,267 in 1952, an increase of 4.2%.

Financial position continued good with total cash and governments at the year-end amounting to $18,619,656. The company had no bank loans during the year and had not borrowed for over thirteen years. The company has never had any funded indebtedness. Ratio of current assets to current liabilities is 4.58 to 1. Dividends have been paid at 45c quarterly. Sales and profits of the company are relatively stable and the company is in a strong financial position.

Warner-Hudnut, Inc.

"Enclosed please find check for 2-year subscription to your Magazine. I have read recently in the newspapers that some Wall Street interests have bought a large block of stock of Warner-Hudnut, Inc. I would like to know the principal lines of this company with emphasis on any important new products brought out and also sales volume and dividend payments."

E. W., Knoxville, Tenn.

Warner-Hudnut and its subsidiaries manufacture and sell ethical and proprietary drugs, toiletries and cosmetics. Recent acquisitions have added to the line of ethical drug products. Sales in this field constitute about half of volume. Net income for 1953 rose 23% to $3,619,000, or $2.52 a common share, from $2,927,000 or $1.96 a common share in 1952. World-wide 1953 sales increased 6% to a new high of $60,224,000. The company's sales during the first quarter of 1954 were ahead of the same period of 1953, led by pharmaceutical sales in the United States, which increased over 15%. Net sales for the three months to March 31, 1954 were $11,143,000 and net after taxes was equal to $728,900 or 49c per common share. This compares with first quarter 1953 net sales of $9,933,-00, net after taxes of $649,800 equal to 42c per common share.

Pharmaceutical operations of the company are growing in importance and it is the policy of the company to accelerate this trend.

Company products are now marketed in 122 countries throughout the world and the company maintains manufacturing laboratories in 16 foreign countries. Sales of products in foreign markets rose 8% in 1953 to $28 million.

American Drug Products, Inc., organized by two Wall Street firms in New York, and associates, recently contracted to purchase 558,411 shares or 44½% of company's common stock from trustees of estate of G. A. Pfeiffer.

Among the pharmaceutical products which increased 1953's sales were, an antiacid for the treatment of peptic ulcers; a drug for the prevention of attacks of angina pectoris; an anti-asthmatic drugs, and a drug for the treatment of high blood pressure. Dividends including extras totaled $1.35 a share in 1953 and 30c quarterly has been declared thus far in the current year.

Eversharp, Inc.

"Please furnish both sales and net operating income of Eversharp, Inc. for the latest fiscal year and also indicate any new products the company has brought out."

T. R., Winston-Salem, N. C.

Net sales of Eversharp, Inc. for the fiscal year ended February 28, 1954 totaled $20,616,451, a modest increase over the previous year's volume of $19,960,136. Although conditions remained highly competitive, a satisfactory demand existed during the year for the company's products. The writing division continued to receive royalties under its ball pen patents and three additional licensees were added during the year.

Net earnings from operations and investments for the year ended February 28, 1954 amounted to $1,389,804 which was increased to $1,518,712 by renegotiation adjustments applicable to prior years.

Total net earnings, after preferred dividends to $1.60 per

(*Please turn to page 492*)

The Stockholder Takes a New Look at Management

(*Continued from page* 445)

he believes will cut deficits resulting from operation of standard passenger cars, and equipping all freight cars with roller-bearings and refrigerating units. He and Mr. Perlman have a potentially valuable property with which to work. Last year, N. Y. Central's operating revenues totaled more than $825 million, with net income of $34 million being equal to $5.27 a share for the capital stock.

Fireworks in American Woolen

Rumblings of unrest among American Woolen's common stockholders, heard immediately following release of poor third quarter report last year, became vociferous when company management called a special meeting of the stockholders to vote on proposals to dispose of some of the mills, redeem and cancel all of the $4 Cumulative Convertible Prior preference stock, and to authorize the company to purchase all or any part of the outstanding 7% preferred stock. By that time there were at least three separate stockholder committees in existence opposing each other as well as the management.

After much wrangling and court moves Woolen's holders voted to back the sale of certain plants and to redeem the preferred stocks. This meeting was followed by a suit in equity brought by two stockholders aimed at stopping the company carrying out its plan to retire the $4 convertible preferred stock, deferring action also on the proposal to purchase the 7% preferred. Meanwhile, a number of changes have taken place in Woolen's management. In place of Francis W. White, Joseph B. Ely, former governor of Massachusetts was installed as President, and several new names, including that of Frederic C. Dumaine, Jr., former president of the New York, New Haven & Hartford, and Roy A. Young, former governor of the Boston Federal Reserve Bank have appeared as directors. Subsequent developments continued to harass the company. Earlier this year, Woolen and Bachmann Uxbridge Worsted Corp., had worked out tentative details for a consolidation of the two companies. This deal went into the discard largely because of opposition of Textron, Inc., which in its efforts to gain control of Woolen has acquired approximately 450,000 shares, about 45 per cent, of the latter's common stock.

The decision on the part of Woolen to give up on its Bachmann Uxbridge deal came only several weeks ago at a meeting of directors following which Royal Little, chairman of Textron, Inc., was invited to sit in with the board. It may be Woolen has come to the end of the long series of legal actions and counteractions. More definite indications of such a development are likely to be seen after July 27 when the oft-adjourned annual meeting is scheduled to be held.

The New York, New Haven & Hartford Contest

Apparently, there were enough disgruntled New Haven shareholders who were willing to cast their votes against the Dumaine dynasty that begain back in 1948 when the elder Dumaine, with the help of Patrick B. McGinnis, took over control and later on was succeeded by Frederic C. Dumaine, his son, as New Haven's president. All that was needed was somebody to spearhead a proxy drive and it was the same Pat McGinnis who filled that need when as spokesman for a stockholders' group last February voiced opposition to the management's slate of 21 nominees for election as New Haven directors.

The election last April resulted in the McGinnis group seating 11 out of 21 directors, the resignation of Mr. Dumaine as president and the appointment of Mr. McGinnis to his place. Apparently, one of the first objectives of the new management is to improve its passenger business. To this end it will endeavor to cut running time between New York and Boston through, possibly, the adoption of the low-slung ACF-Talgo train, consisting of a diesel-electric locomotive and six articulated units. Advantages claimed for this type of equipment are about 75 per cent less dead weight per passenger than is the case with standard railroad trains, economies in fuel and maintenance costs, and much faster acceleration and deceleration. The road has already run a prototype of the train over its rails and believes that this or similar equipment will go a long way toward fulfilling the promise of a 2½ hour train trip between the outskirts of Boston and New York. What other plans the new management is considering will undoubtedly be divulged with the passing of time. Mr. McGinnis evidently approaches the problems with optimism, confident that he can ultimately bring the road to a profitable operating basis.

Minneapolis & St. Louis Railway

Obviously, there were a number of common stockholders of Minneapolis & St. Louis holding the belief that management, considering the road's earning power since its emergence from a long receivership in 1943, was niggardly. In any event, management began to sense trouble when it rejected a request by a minority stockholder group for representation on the board. Opposition crystallized under the leadership of a Chicago attorney with the result that enough proxies were gathered by the minority group to seat 7 out of 11 members of the board at the May 11 stockholders' meeting. At the same time, a proposal, decided upon last December, to increase authorized no par common stock from 600,000 to 800,000 shares to provide for a 33-1/3 per cent stock dividend was also approved. This dividend is payable July 28 to stock of record July 2.

Some Organizational Changes in International Telephone & Telegraph

For approximately 34 years, Col. Sosthenes Behn, now 72, was top man in the $603 million dollar International Tel. & Tel. Corp. After so long a time, it was only natural that some opposition within the I. T. & T. organization to Col. Behn's continued rule should develop. This was made manifest when at the organization meeting of directors following the annual meeting of stockholders last May, Col. Behn was outvoted and agreed to turn over active management to Maj. Gen. W. H. Harrison, I. T. & T.'s president since 1948. Under the new set-up, however, top control is in the hands of the executive committee of which Gen. Harrison is a member. The executive committee's chairman is Col. Behn. —END

Political and Economic Significance of the World Wheat Crisis

(*Continued from page* 441)

what it will cost the Government to carry the 800 odd million bushels of wheat now in its possession. Some trade estimates place the figure at $250 million annually or even more, or close *to* $30,000 per hour! This is one of the reasons why taxes cannot be reduced.

The storage problem will be intensified as the billion bushel 1954 crop comes on the market. It will be nip and tuck whether enough suitable storage space can be found for growers' wheat to qualify it for the government loan. If not, growers will have to sell their grain for what it will bring, which is certain to be well below the $2.25 loan value.

Congress is considering a "give away" program, designed to sell wheat for soft currencies and give it away for "emergency assistance" when foreign countries cannot or will not even put up their paper currencies. There is no doubt that large amounts of wheat can be shipped out for free or virtually so, but no imagination is required to appreciate how such shipments would disrupt the world wheat market and provoke the indignation of presently friendly surplus wheat-producing countries. Retaliation against imports of American goods would be virtually certain.

Congress also looks favorably upon that part of the Administration farm program for setting aside and ignoring large quantities of wheat when computing acreage allotments and price supports under the much-stalled flexible price support program.

Congress Culpable

Senators and Representatives of both political parties have voted repeatedly to postpone the invoking of flexible price support provisions of the Agricultural Act of 1949, and many of them have been just as opposed to the Administration plan for flexible supports. Catching the farm vote has loomed more important than the true well being of the Nation.

A year ago, when USDA Secretary Benson established a 1954 wheat acreage allotment of 55 million acres, Congress voted to raise the allotment to 62 million. Even with unfavorable weather, a billion bushel crop is in sight for 1954. Although below the levels of recent years, this is about 250 million bushels greater than the prewar average and at least 100 million bushels greater than domestic and export requirements.

Secretary Benson has announced a national wheat acreage allotment of 55 million acres for 1955. With favorable weather, and in view of the fact that growers use their better land and fertilizers more when allotments are invoked, this acreage could turn out another crop of about a billion bushels. And, 55 million is the minimum acreage allotment that can be invoked. Supplies of wheat are so large that, were it not for the minimum established by law, the allotment would be only 19 million acres.

Growers will vote on July 23 for marketing quotas, and presumably will give them the necessary two-thirds approval, since the alternative is reduction of federal support prices to 50 per cent of parity. But, with farm legislation pending in Congress, wheat growers may not be certain at the time of voting whether they will receive 90 per cent or somewhat lower supports under the flexible program.

Problem is Perennial

Secretary Benson is authority for the statement that acreage restrictions again will be necessary for 1956. It may take a number of years, regardless of whether lower support prices go into effect through the Administration bill or by default through the much-stalled off provisions of the Agricultural Act of 1949, before production is reduced enough to whittle the surplus down appreciably.

Regardless of the 1954 elections, which so many Senators and Representatives up for reelection consider so important that they have favored extending 90 per cent supports for still another year, wheat prices and the income of wheat farmers are on the skids. The artificially high support program has broken down and is only waiting for a decent burial.

The logic of storage space and the inevitable damage to world relations of a wheat dumping program rule out continuance of high supports and uneconomic bailing out of surpluses. We now are faced directly with the inevitable consequences of maintaining high support too long, as some of us foresaw several years ago.

The only logical approach now is to soften the blow, as the Administration program is designed to do. But, it may be late even for that. —END

Uranium Craze

(*Continued from page* 447)

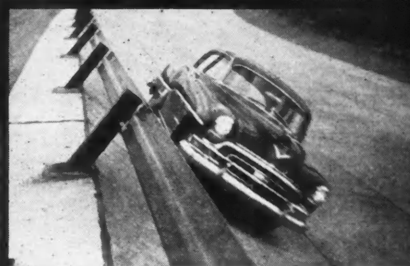
assurance that any great profits, except perhaps in isolated instances, are going to be made out of the mining or processing of uranium ores. Currently, there is no free market for uranium concentrate. Canadian output is sold to the Canadian Government. Production figures, however, have been classified for security reasons as are also prices paid the various producers under contract with the Government. Stipulated in the contract is a condition under which these companies will use the sales contract to arrange financing and to develop the properties. At the time the agreement was signed, it was said that one of the largest of the mines involved, expected to spend upwards of $11 million on its open pit mine and the construction of a plant for partial treatment of the ore. Here, in the U. S., the Atomic Energy Commission purchases all of the domestic production at fixed prices, the scheduled being based on the uranium content of the ore. For instance, ore having a uranium content of more than 0.20% will be paid for at $3.50 a pound, plus 50 cents a pound haulage allowance, for the uranium content. If the ore, such as that mined in the Colorado Plateau area, has a vanadium content, the AEC will pay for that also at a present rate of 31 cents a pound. Ores with lower uranium content are paid for on a descending price scale, reaching as low as $1.50 a pound for uranium in an ore of 0.10% concentration.

Some Leading Companies

How much profit a uranium ore producer can realize at these prices depends on his operating costs, as well as the uranium content of the ore, as well as other

(*Please turn to page* 486)

ONE OF THE WORLD'S ROUGHEST ROADS is carefully kept that way to keep going tough. Here, car and driver take "hump" at high speed, exploring ways to make your new car safer. 1,000 miles on this rugged course reveal more about a car than 10,000 miles of normal driving.



6 LANE EXPRESSWAY TO PROGRESS. Sweeping in 4.7 mile oval, the high-speed test track, most modern in the world, permits speeds to 140 mph without side thrust.

TRIAL BY TORTURE

... how it brings you the best 5 cars in the U.S.A.!

These skidding, speeding, climbing cars are undergoing the most grueling automotive shakedown modern engineers can devise. The place—*Chrysler Corporation's vast new proving grounds* at Chelsea, Michigan, 4,000 sprawling acres of the world's newest and finest passenger car testing facilities.

To these grounds from the best creative engineering teams in the country come a constant flow of new engines, transmissions, brakes, steering units ... anything that might wind up in a better car. Then, working around the clock, skilled drivers and engineers take over.

The process by which these men do their job is quite dramatic, as this page shows. Day and night, new Chrysler Corporation cars and competitors' cars are put through thousands of miles of Trial by Torture. Then, they are disassembled and all components minutely examined and compared, part for part. An owner cannot learn as much about his car in *100,000* miles as these engineers find out in *5,000* miles of this scientifically brutal treatment. The result: quality is proved and reproved to make sure your new Plymouth, Dodge, De Soto, Chrysler or Imperial car is the *best* car you ever owned—not only for the exciting advances it brings you, but because of the years of pleasant motoring built into it—and proved sound!

When you select a sparkling new car from the Chrysler Corporation family, no matter what price you choose to pay, you can be sure you're getting the smartest buy of all!

GRADES EQUAL TO STEEPEST IN U. S. are daily routine. Here, engine, transmission and rear end get a thorough proving on the long pull.

ANCHORS AWEIGH could well be the cry when new models hit the water trough. No water penetration will escape these hard-to-please engineers.

Wonderful things keep coming your way from Chrysler Corporation

Plymouth • Dodge • De Soto • Chrysler • Imperial

WEIRTON STEEL COMPANY—Here is the world's largest independent manufacturer of tin plate, with mills at Weirton, West Virginia, and Steubenville, Ohio. A pioneer in the electrolytic process of coating steel, Weirton operates the world's largest and fastest electro plating lines. An extensive variety of other steel products are ma factured in plants that are among the most modern in the indus

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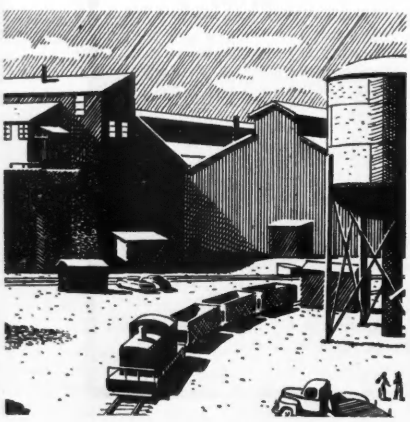

STRAN-STEEL DIVISION—A unit of Great Lakes Steel, with plants at Ecorse, Mich., and Terre Haute, Ind. Originator and exclusive manufacturer of Quonset buildings, Stran-Steel nailable framing, and Stran-Steel flooring for trucks and truck trailers.

HANNA IRON ORE COMPANY, Cleveland, Ohio—Iron ore properties and mines in Minnesota, Wisconsin and Michigan. In addition, National Steel is participating in the development of the important new iron ore field in Labrador-Quebec, where great iron ore reserves will augment the future supply of this vital raw material.

THE HANNA FURNACE CORPORATION—Blast furn nace division in Buffalo, New York. Its four furn augment the pig iron production of National's e other blast furnaces in Detroit and in Weirton addition, this furnace division is a leading prod of all grades of merchant pig iron for foundry

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LAKES STEEL CORPORATION—Located at Detroit, Michigan, it of National Steel is the biggest steel maker in that important ial area. Its complete facilities, from blast furnaces and coke ovens through to finishing mills, enable Great Lakes Steel to furnish a wide range of industries with a large volume and variety of standard and special steels, including the famous N-A-X High-Tensile steel.

National Steel is a complete, self-contained steel producer. Its production starts in National Steel properties beneath the earth's surface. It ends with finished steel and specialized products that National furnishes to the industries of America.

Within its structure, National has every resource and facility required for the transformation of ore into 6,000,000 tons of ingot steel each year.

National Steel mines and quarries yield its raw materials. National Steel boats, barges and trucks transport its products. National Steel men and furnaces, mills and machines, melt . . . roll . . . finish . . . distribute its steel.

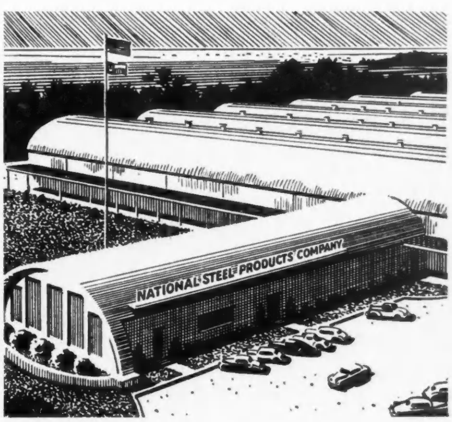
This is National Steel—seven great divisions—completely integrated, completely independent, one of America's most progressive steel producers.

NATIONAL STEEL CORPORATION

NATIONAL STEEL

GRANT BUILDING PITTSBURGH, PA.

NAL MINES CORPORATION—Coal mines and rties in Pennsylvania, West Virginia and ucky, supplying metallurgical coal for Na-'s needs. Resources have been further ex-ed by acquisition of a substantial interest in arge mining operations in the Pittsburgh area.



NATIONAL STEEL PRODUCTS COMPANY, Houston, Texas —One of the foremost distributors of steel products in the Southwest, serving a seven-state area. The huge combination plant and warehouse—a modern Quonset structure fabricated by the Stran-Steel Division—provides more than five acres of floor space under one roof.

NATIONAL STEEL

New Color Film Now Available

"Achievement in Steel" . . . a new 16-mm color film telling the dramatic story of steel is now available to organized groups. To obtain it for your group, write "Achievement," National Steel Corporation, Pittsburgh, Pennsylvania.

Uranium Craze

(*Continued from page* 482)

variable factors, to which reference has already been made, pertaining to individual mining properties. The profit potentials of the uranium ore processing mills is just as much of an enigma. The AEC bans publication of details of its contracts with companies licensed to treat the ores. The process of producing uranium concentrate involves chemical techniques differing from those used in ordinary refining and much more expensive. It is said that for a mill to operate profitably, it is necessary for it to treat at least 200,000 tons of ore a year, but even then its margin of profit, limited by the AEC through control of prices paid for concentrates, may be pared by operating difficulties because of the differences in ores, or other complications in the tricky process.

What ever the difficulties, it is reasonably certain that as uranium ore production increases and more advanced techniques in methods of processing are developed, profit margins of the mills and the integrated companies controlling deposits of uranium bearing minerals as well as operating processing plants, will be substantially broadened, creating new giants in industry. Some of these are probably now aborning among the many companies working directly with the AEC that have contributed to the Commission's uranium program in the Colorado Plateau. In the list are a number of outstanding names. One of the earliest operators in the Plateau is the *U. S. Vanadium Co.*, a *Union Carbide & Carbon Corp.*, subsidiary, which owns mines in a great many counties in Colorado and Utah, and has some 50 active agreements with mining contractors for the working of these properties. USV, as it is known throughout the area, also buys ore from approximately 90 independent miners working other claims. In addition, the company owns and operates two large ore-refining plants, one at Rifle and the other at Uravan, Colo. The mill at Rifle, the first plant to be built in the Pateau that is still in operation, is surpassed in size by the Uravan mill, rated as the largest of the ore processing plants. At this plant, two products are extracted from the ore, namely uranium and vanadium, not an easy job, since most of the ore is just waste rock. The uranium recovery may be as little as 0.10%, or an average of two or three parts per thousands. Into the process will go such typical raw materials as salt, soda ash, sulphuric acid, anhydrous ammonia, oil, and coal, acid consumption as USV's plants running to several hundred tons a month.

There are other "big" names operating in the Plateau. *Anaconda Copper Mining Co.*, toward the end of last year completed its uranium ore processing plant, located near Grants, New Mexico. Under contractural agreements with the AEC, this new plant is processing ores purchased from other producers as well as the output from its own properties in the Plateau.

Vanadium Corp. of America, a world leader in the production of vanadium and ferro alloys, is also well entrenched as a miner and miller in the Plateau area. During last year, it expanded operations there by the acquisition and development of additional mining leases and the exercising of its option to purchase the mill at Durango, Colo., which it had previously operated under lease from the AEC. At this plant as well as that located at Naturita, Colo., additional equipment placed in operation in 1953 expanded productive capacity for processing vanadium-uranium ores mined from the company's own properties and purchased from the many individual mining contractors.

Climax Molybdenum Co., is another prominent name that looms large in vanadium-uranium activity in the Plateau. Through its 84.70% owned Climax Uranium Co., it has built what is considered to be an outstanding organization in this field, having interests in mining claims, leases and other property, including a mill located at Grand Junction, Colo., for processing its own and other producers vanadium-uranium ores. Since 1951, when limited operations at the mill began, capacity has been doubled, and now, with activity on the plateau intensifying, requirements are growing for additional mill facilities.

Homestake Mining Co., the big gold producer, made its debut as an uranium producer with the acquisition of two small uranium deposits to the northwest of th Black Hills, So. Dak., which ar remote from the Colorado Plateau The company recently stated tha the profit from one of these prop erties has already returned mor than the cost of the entire explor ation, but the available tonnag appears to be limited and wi probably be completely mined ou this summer. The company, how ever, is continuing to explore i the general region. In addition t this activity, Homestake has ac quired control of several proper ties, involving fairly large acre age, in territory southeast o Moab, Utah, on the Plateau. Thes properties, believed to have prom ising prospects for uranium ore will be explored by diamond drill ing and by underground working that are expected to be under taken in the course of the year.

New names are being added t the roster of companies interest ed in uranium ore properties in th Plateau almost daily. One of th latest additions is *Food Machin ery & Chemical Co.*, that ha taken an option through its West vaco Chemical Division on 7 min ing claims in Lander County, Ne vada. These claims, believed to b the first commercial discovery o uranium ore in the state, are al ready being diamond drilled, an indications are that they contai deposits assaying far above th minimum for commercial grad ore.

Near Grants, New Mexico, dis covery of uranium-bearing ore on lands where the *Santa Fe Pa cific Railroad*, an Atchison, To peka & Santa Fe subsidiary, own the mineral rights, were reporte some time ago. These discoverie lead to a new wholly-owned sub sidiary, the Haystack Mountai Development Co., to mine the ores and now with ore deliveries bein made regularly to the new Ana conda Copper Mining mill, Atchi son estimates its profits fro uranium ore production from th properties will reach about $750, 000 for the current year.

Another recent developmen has been the agreements unde which *New Jersey Zinc Co.*, ma take over majority control of fou dormant Canadian companie with upward of 200 claims o which more than 101 are locate in the Algoma uranium area o Ontario. New Jersey Zinc fiel operators are reported to be a

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STREE

Uranium Craze

(*Continued from page* 486)

the properties and it is expected that intensive diamond drilling will be carried on over the next year or so to block out the indicated ores.

Investors and speculators alike, desirous of participating in the rapidly expanding uranium field, would be well advised to concentrate on companies solidly established in other lines, but which, because of their operation as producers or processors of uranium ores, or both, also have a stake in the atomic age that is certain to have a tremendous impact on our civilization in perhaps a shorter time than believed possible not long ago.

There are other companies through which investors may acquire a potential in the growth of atomic energy for the generation of power and the use of fission products in various industries and other applications. A comprehensive list of these companies was presented in the May 15 issue of The Magazine, and included, among others, *General Electric, Westinghouse Electric, International Minerals & Chemical, Blockson Chemical, Virginia Carolina Chemical, and duPont, deNemours & Co.*, to mention just a few. —END

Merchandising Stocks— Under Growing Competition

(*Continued from page* 461)

lower prices in effect at the start of the year or made in subsequent weeks. During the first fiscal quarter some of the department stores went ahead of the like 1953 period in both sales and earnings. R. H. Macy & Co. Inc., for instance reported sales amounting to $79.1 million for the three months ended May 1, last. This was approximately $3.6 million more than the $75.5 million in sales Macy reported for the first quarter of its preceding fiscal year. Net income for the April, 1954, quarter increased to $475,000, equal after preferred dividends, to 12 cents a common share, from net of $459,000, or 11 cents a share for the like 1953 period. For the 12 months to May 1, 1954, Macy's net sales increased to $337.6 million from $334.7 million for the preceding year, with net income rising to a little more than $4.6 million, equal to $2.06 a share for the common stock, compared with $1.51 a share in the previous 12 months.

Developments at Macy's

Organizational improvements and expanding facilities indicate a possible more favorable profits trend in the near future. It was only last May that L. Bamberger & Co., a subsidiary opened its Plainfield, N. J. branch which is shortly to be followed by the opening of another retail unit at Princeton, N. J. A substantial addition to Macy's White Plains, N. Y., store is under way, simultaneously with the enlargement of the Parkchester unit. At Hillsdale, Calif., work has been started on the Hillsdale Shopping Center, including a $6 million Macy branch store, a unit of Macy's San Francisco which is also developing jointly with other interests two regional shopping centers in the San Francisco-Bay area, each to contain a branch store. In addition, Macy's New York is proceeding with the development of a regional shopping center in Bergen County, N. J., as well as the erection of a 300,000 square-foot branch in a shopping center in fast-growing Nassau County on Long Island.

Federated Department Stores also reflected a comparatively good first 1954 quarter. For the 13 weeks to May 1, this year, sales increased to $108 million from $106.1 million for the corresponding weeks of 1953. Net income for the common stock amounted to $3.1 million, the equivalent of 87 cents a share, compared with $3.1 million, equal to 85 cents a share, a year ago. Included in the 1954 first quarter showing was the third Bloomingdale branch at Stamford, Conn., which, however, did not open for business until Feb. 17 of this year, and the Bakersfield, Calif., Fedway store, the eighth in that chain, which opened its doors on Feb. 1. The latter unit marked the completion of what Federated calls "this pilot group" that is expected to become increasingly important as contributors to earnings as these store organizations are coordinated with an adequate central organization. Under present plans, the addition to Federated's highly successful Abraham & Straus' Hempstead, N. Y., branch store is expected to be ready in time for Fall business. This unit is being enlarged by about 40% to take care of an increasing volume of trade in a rapidly growing Long Island area.

Had it not been for a strike that hampered deliveries from Kaufman Department Stores, its Pittsburgh, Pa., retail unit, the May Department Stores Co. might have made a much better showing in the quarter ended April 30, 1954. Sales for the period totaling $91.5 million were down about 6.2% from $97.6 million shown for the like period of last year. Net income, however, of $1.9 million, equal to 28 cents a share for the common stock was off by only $257,000, or four cents a share from the 32 cents shown a year ago.

The May company, like some of its big contemporaries, is continuing to look for further growth. Its expansion program, expected to add about $50 million to annual sales, includes, among other details, enlargement of the Kaufman Pittsburgh store through the recent purchase of an adjoining building; the opening of a new Famous-Barr Co., store in a St. Louis suburb shopping area; the addition of a new branch to the May store in Denver, and the opening of a branch store in the Los Angeles area. In addition to these plans, May's Akron, Ohio, M. O'Neil & Co., store has only recently opened a new $7 million shopping center on a 90 acre tract located midway between Lorain and Elyria.

Trend in Consumer Buying

The expansion plans of Macy, Federated, and May, to take them as an example, point up the fact that the nation's leading merchants are optimistic as to the future of the retailing business. While it is recognized that in the last three years, department stores sales have risen only 7%, at the same time that consumer disposable income has increased by 20%, the greater part of the latter gain has been diverted to the purchase of food, automobiles, and other goods and services not carried by department stores. Some of the merchants now begin to see signs of consumer buying developing a trend toward the everyday things of life — wearing apparel, house furnishings

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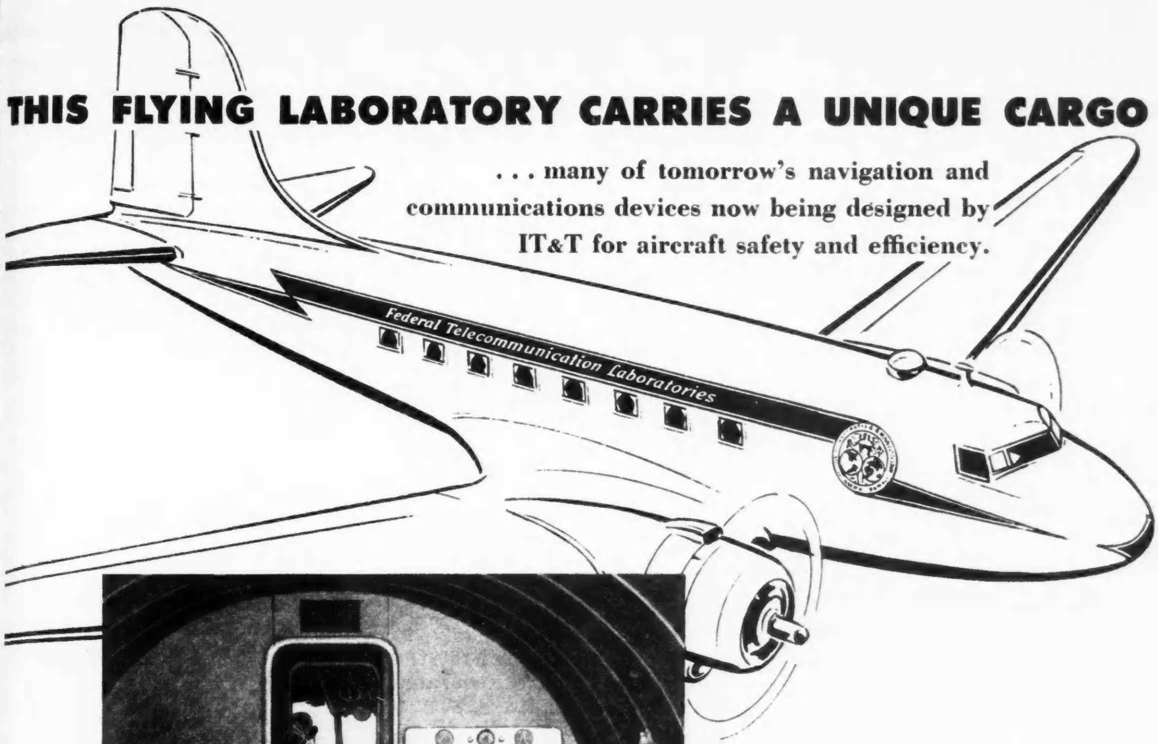
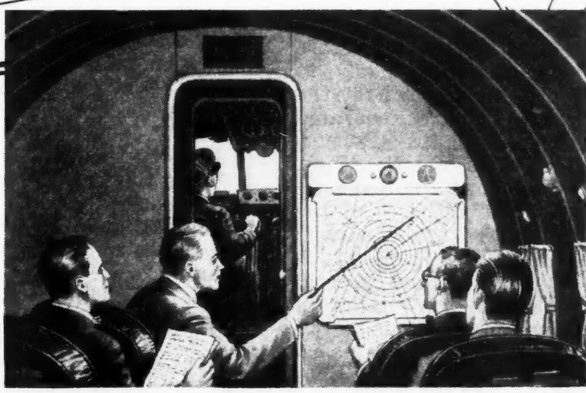
THIS FLYING LABORATORY CARRIES A UNIQUE CARGO

. . . many of tomorrow's navigation and communications devices now being designed by IT&T for aircraft safety and efficiency.





The interior of the "Flying Laboratory" of Federal Telecommunication Laboratories, a division of IT&T, is a veritable airborne workshop. Here, navigation aids for use at short and very long distances as well as for low approach and landing, and many other experimental radio and electronic devices are put through their paces under "in-service" conditions.

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Merchandising Stocks— Under Growing Competition

(*Continued from page* 488)

and the other multitudinous articles that department stores and variety stores usually carry on their shelves and which the mail order houses list in their catalogs and handle in their retail outlets.

From current indications, there is a concerted movement afoot to develop these potentials. The department stores have gotten off to a good start in their purpose to attract consumer interest in their wares, determined to offset usual summer dullness and at the same time work towards a bigger Fall and Winter sales volume. The campaign is already under way, having opened on June 21, when top ranking executives of Macy's, Gimbels, and other large New York stores took stations at the doors of their respective establishments greeting customers with a handshake and a few words of welcome. Later on the same morning, these executives gathered in Times Square where the public assembled there were entertained by members of the Broadway musical hit "By the Beautiful Sea," followed by the release of helium-filled balloons some of which contained merchandise gift certificates.

New Promotional Efforts Take Novel Turn

The event marked the opening of a 10-week promotional campaign, matched by efforts by stores in Chicago, Boston and other principal cities, coupled with stepped-up advertising of big "bargain days." In Pittsburgh, for instance, that city's Golden Triangle Association, made up of downtown merchants, designated June 28 as "Golden Triangle Day" for which event full page ads in the local newspapers featured special items at prices below the regular tags. Detroit's downtown merchants appear to be the trail-blazers in "whooping it up" to increase sales. Last May, that city's reorganized Central Business District Association sponsored "3-D Days"—short for "3 downtown Detroit days" — with considerable success. Shoppers were lured by the distribution of free "movie" tickets, "3-D" cocktails at cut price, and merchandise bargains. Reduced bus fares in the morning and free week-ends at one of Detroit's best hotels were also among the inducements that brought suburbanites into downtown Detroit stores. Among the "3-D" Days participants were 30 stores that have suburban branches, including the J. L. Hudson Co., that only recently opened its $25 million suburban Detroit shopping center.

This and other types of agressive sales promotion to be carried, according to present plans of merchants in various cities, throughout the entire summer, should be productive of good results in the way of increased sales volume. Less certain, is the ability of the department stores, under intensified competition, to maintain profit margins which continue to be depressed by continued high payrolls and other costs. In the department store group, those that are likely to make favorable showings for the current fiscal year are Federated Department Stores, May Department Stores, and R. H. Macy. Marshall Field has improved its outlook with the disposal of the Merchandise Mart, the Fieldcrest Mills, and the Davis Store, which collectively for the last several years had been dead weights on the earnings of the company's department store operations.

The outlook for the mail order houses, on the basis of first four months' sales does not hold much promise of net this year being up to fiscal 1953 results. Lower buying from the rural areas and reduced hard goods demand has caused Sears, Roebuck to cut prices in its 1954 fall general catalog to the lowest level since 1950. These cuts ranged from 2% on tires and tubes, 4% on infants' and children's wear, 5% on yard goods, 8% on men's furnishings, to 10% on electric appliances and wiring. Final results in the way of sales and net earnings for both Sears and Montgomery Ward, however, may be better than current operations indicate if fall and winter business should reverse the trend registered in earlier months of the year. This is also applicable to the specialty and the variety stores, although none of the issues in any of the merchandising groups is likely to show much in the way of activity on the upside of the securities market in the meantime. —END

Varying Recovery Prospects For 30 Leading Textiles

(*Continued from page* 466)

seems to have disappeared. Although results are not as satisfactory as could be desired, manufacturers have been cheered by evidence of better-than-anticipated volume of business in wearables in the second quarter. Most sections of the industry feel more confident of a normal seasonal pickup after Labor Day than had seemed likely a few weeks ago.

As a consequence of restoration of keener competition, merger talk has become more evident. Consolidations aimed at removing high-cost operations and strengthening weak managerial situations here and there are a logical development. The internal strife that upset American Woolen's management is a sign of unrest among stockholders in unprofitable concerns. What the outcome will be of the struggle for control of this one-time leader in its field is uncertain. Elsewhere, J. P. Stevens has arranged to acquire a dominating interest in Robbins Mills as a move toward greater diversification.

In all probability the trend in this direction will continue. There are a number of small enterprises which might achieve operating economies by combining operations in modern manufacturing centers. The trend toward vertical integration may gain momentum as managements endeavor to overcome handicaps of distribution costs. Several companies already have gone far in this direction of producing gray goods, other fabrics and finished garments to be sold at retail in their own chains.

Market Position

The position of the textile industry cannot be fully understood without examination of the conditions which have led to the impressive migration of textile plants to the South. Basically, the problem has been high cost labor in the New England mills. Coming into competition with the newer mills of the South where wage rates are lower, it is not surprising that the older mills should be under an increasing handicap.

The crisis in the New England mills began as far back as 1951,

though settlement of textile concerns in the South long antedated that period. But in 1951, the New England operators raised their wages on the assumption that they could safely do so if the mills in the South would follow suit. But this did not happen. With a further widening of the wage differential, which is about 16 cents an hour in favor of the Southern mills, it is obvious why the northern mills have encountered mounting difficulties. The difficulties have been heightened by a simultaneous drop in sales. Under those conditions, it has become increasingly expensive for the northern mills to compete. Recent agreed-upon wage cuts between some operators and the unions will help somewhat but unless there is a sharp rise in sales, the problem will essentially remain what it has been the past few years.

With indications growing that representative stocks have stabilized after a prolonged decline, patient holders have been looking with greater favor on shares of stronger concerns in the industry. Reference to the accompanying tabulation as well as to other statistical data will disclose that numerous stocks in various segments of the industry have dropped back to around the lows of 1947 and 1949.

Although some risks of market disturbance may be encountered if dividend cuts here and there should be necessitated, it would seem that by and large the chances of further decline in most textile issues have diminished to the point where buying interest is warranted. This observation is particularly applicable to the better grade stocks which have been indicated in the table. It should be noted that aside from a few conspicuous exceptions which have been marked with an (*), most of the stocks of the industry are in quite a speculative position. Therefore, if the investor intends to make purchases, they properly belong in the speculative portion of the portfolio. For those interested in speculative possibilities, however, and can afford the risk, the sounder of the issues which have been depressed marketwise over the past few years, mostly in the category marked (B) are worthy of limited speculation.

It is well to bear in mind, as pointed out previously in this article, that many of the secondary textile companies are on a slim basis so far as dividends are concerned. A number have been paying dividends for several years in the face of a shrinking profit margin and cash resources have been lowered, as a result of these payments. Under the conditions, aside from the strongly entrenched concerns, the investor should bear in mind that in this group, the possibility cannot be dismissed that, in spite of a recovery in earnings in the last half of the year, unless this recovery should be more extensive than now anticipated, some concerns may see fit to conserve liquid assets and reduce dividend rates. From a market viewpoint, this may have been fairly well discounted in the long decline of most textile stocks, but for the investor who is more interested in dividends than speculative possibilities, there is no doubt that the hazard in this group is not to be denied. —END

Realistic Appraisal of 12 Stocks Yielding Over 8%

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appeal as a long-range speculation.

GREENFIELD TAP & DIE. This is one of the more attractive of the high-yielding stocks. While earnings for the first quarter at 78 cents a share against 85 cents a share for the corresponding period of 1953, reflect a softening in the machine tool field, they must be considered satisfactory in view of the contraction in general business. The company has strong finances which should tend to buttress the regular 50-cent quarterly dividend in a period of lower earnings. At current prices, the yield is about 9%. The stock may be held on a speculative long-term basis and new commitments could be made in anticipation of recovery.

HUDSON BAY MINING. As a large Canadian producer of copper-zinc, with some gold and silver, this company's earnings tend to fluctuate with the price of the two first-mentioned metals. While copper prices have been steadier, the world price for zinc is still unsatisfactory and recent earnings have tended to reflect this condition. In the first quarter this

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Answers to Inquiries

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share on 903,924 outstanding common shares. For the preceding fiscal year, net earnings from operations and investments totaled $1,296,360 which was increased to $1,753,286 reflecting a tax credit of $456,926. Total earnings for the 1952 fiscal year were equal after preferred dividends to $1.86 per common share on the same capitalization.

On May 15th, the company introduced its "Hydro-Magic Ink injector-type razor," developed after two years of expanded research and involving extensive tooling and production facilities. This entirely new razor incorporates the first important change in this type razor since Eversharp obtained the original patents, and is expected to contribute substantially to future earnings.

Dividends in 1953 totaled $1.40 per share and 35c quarterly has been paid thus far in the current year. —END

Realistic Appraisal of 12 Stocks Yielding Over 8%

(*Continued from page* 491)

year, earnings were 93 cents a share against $1.22 a share in the corresponding period of 1953. For the full year 1953, earnings showed the effect of weak metal markets and dropped to $4.25 a share (before depletion) against $5.45 a share in 1952. As a result of rapid changes in the outlook for copper and zinc, the stock has fluctuated rather widely in 1953-1954 and at current prices of about 46 is selling midway between the high and low prices for that period. At current prices, the yield is 8.6%, based on the 1953 dividend but, under present circumstances, there is some uncertainty as to whether the present rate can be fully maintained. The stock has merit as a long-term speculation, especially in view of its new extensive nickel deposits but new commitments should be deferred for the time being.

INTERNATIONAL SILVER. As the world's largest manufacturer of plated silverware, this company is especially subject to fluctuations in consumer buying. While public buying is holding up relatively well, higher-priced items have suffered a falling off in sales volume. Additionally, lower defense shipments will probably hold total business volume down this year. Heavy amortization charges kept 1953 earnings down; they were $6.45 a share compared with $7.04 a share the previous year. In the first quarter 1954, earnings showed up comparatively well at $1.43 a share compared with $1.22 a share the corresponding period of 1953. Apparently this was due to an easing in amortization charges and an increase in income from the Canadian subsidiary which had shown a loss the preceding year. The dividend at $4 a share is fairly liberal but its position is not certain under prevailing conditions of lessened consumer buying. Financial position is adequate in relation to the small capitalization. The thin market of the stock is a negative factor for ordinary investors. New commitments are not recommended at this time but investors who now maintain long-term positions need not disturb their holdings.

LUKENS STEEL. Specializing in carbon and alloy steel plates this small but important independent has had an exceptionally prosperous period since the end of World War II with earnings on a per share among the largest in the industry. With a capitalization of only 317,976 shares, earnings swings can be wide. Thus they have varied from as high as $11.35 a share in 1953 to $6.04 a share in 1950. For the first half of the current fiscal year (24 weeks ending April 10) earnings were $4.14 a share compared with $6.08 a share in the corresponding period of 1953. During this period, partly due to the high excess profits tax during the first half of the 24 weeks, and in part to a slackening in steel business during the final period, profit margins declined from 4.3% to 3.5%. With general operations in the steel industry down from last year, it is not likely that the company will come close to matching 1953's returns, even with EPT lapsing. On the other hand, the exceptionally strong condition of physical plant and finances offers a satisfactory background. At present the dividend is being adequately covered and the stock may be retained as a long-term speculative commitment. The thinness of the market is somewhat of a deterrent to ordinary investors.

MAGNAVOX CO. Pressure from two sources was indicated in the March quarter report which showed 43 cents a share against 67 cents a share in the corresponding period of 1953. The first factor is the lower sales, with a falling in consumer demand; and, second, the general easing of military business, important to this company since about 40% of its sales have stemmed from military goods. Offsetting this situation is the significant rise in demand for the company's "high-fidelity" radio-phonographs. For the nine months ended March, earnings were $2.68 a share and it is expected that earnings for the full year ended June will be on about a level with those of the preceding year when $2.93 a share was earned. Dividends are being paid at the rate of $1.50 a share and can be maintained on the present basis of earnings. The stock is now selling at its lowest levels for the past

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Realistic Appraisal of 12 Stocks Yielding Over 8%

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few years and seems to have discounted present uncertainties. It may be held on a speculative basis pending further recovery but new commitments should be deferred for the time being.

N. Y. AIRBRAKE. This company has not been as much affected as others by the decline in railway equipment buying. Sales of airbrakes are off, but the general volume of sales has been sustained by its important pump business. While military sales may decline somewhat, the outlook is that the total volume of business for 1954 will hold up relatively well. Earnings were 81 cents a share for the first quarter of 1953 against 74 cents a share for the corresponding period of last year. This gain was facilitated through the lapse of EPT. Earnings for 1953 were $2.84 a share and it is anticipated that this year's earnings will be about on a par. The current dividend of $1.60 a share is reasonably well covered and, in view of the strong financial position of the company, the shares may be retained on a speculative basis. At current prices of about 18½ the yield is 8.6%. For investors interested in high yields, this stock has more appeal than some others in the group.

WHEELING STEEL. This company is among the more successful of the independent manufacturers, specializing more or less in light steels, though it manufactures a wide range of other steel products. Post-war earnings have been very substantial, on the whole, though lower in 1952 and 1953 than in the immediately preceding years. In 1953, earnings were $7.49 a share and, in 1952, $6.44 a share, compared with $10.96 a share in 1951 and $11.59 a share in 1950. For the first quarter of this year, earnings took a severe drop to 48 cents a share as a result of higher charges for amortization and a falling off of sales but it is reported that in recent weeks sales have been increasing moderately. However, on the basis of the generally lower volume of production in sight for the industry for the year as a whole, as compared with last year, it would appear that Wheeling's earnings this year will be considerably under those of 1952. In the first quarter, the 75 cent dividend was not earned but, on the basis of the reported increase in business during the second quarter, it is probable that dividends for the first half were covered. As a producer subject to cyclical swings in the industry, the outlook does not seem conducive to new commitments in the stock at this time. However, in view of the good management and adequate finances, long-term holdings need not be disturbed. At current prices of about 36, the yield is approximately 8.3%. — END

For Profit & Income

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year ago to deficits in the first quarter. Examples: Barium Steel and Pittsburgh Steel. Among the major companies, the best showings were made by Inland and Armco, both with sharp gains. The unique Inland is currently operating at capacity; Armco and U. S. Steel at rates above the industry average of about 73%. The chances are that 1954 steel output will be down by around 20%. Earnings of the leading companies will make a fairly good showing, though they figure to be moderately lower in most cases. Having lagged for a considerable prior time, steel stocks caught up with the market in recent months. Their market potentials from this point cannot be considered much better than average. Their interim and cyclical price swings are generally wider than average.

— END

Foreign Holdings of American Securities

There has been little opportunity for private foreign long-term capital flows to the United States since the war because of the exchange restrictions generally applied abroad. Most of the change in value resulted from reinvested earnings of United States subsidiaries or affiliates of foreign companies and rising market prices of United States corporate securities.

Foreign direct investments in the United States of $3.7 billion at the end of 1953 were about four times as great in value as at the end of the first world war. This growth depended primarily on additions to existing enterprises as the United States economy expanded. There has been a noticeable increase in foreign direct investments in the United States since 1951, particularly from Canada and the United Kingdom.

Foreign portfolio investments in United States securities have been traditionally the leading type of long-term investment in the United States. At the outset of World War I these investments, consisting very largely of bonds, were valued at about $5.4 billion, of which nearly $3.8 billion was in railroad stocks and bonds. The wartime liquidation amounted to about $3 billion and by the end of 1919 the value of foreign security holdings was estimated at about $2.3 billion.

In order to establish a new benchmark for the value of these investments, as well as for the income derived from them, a very extensive study was made of data available on withholding tax records on file at the Bureau of Internal Revenue. The benchmark data for corporate stocks were as of the end of 1949, the data for corporate bonds were for 1950. The following sections, extrapolating the benchmark data back to 1946 and forward to 1953, incorporate some important results of this study relating to corporate stocks.

At the close of 1953 foreign owners held over 60 million shares of domestic common and preferred stocks with a market value of $3.7 billion. This was a gain of nearly $1 billion over the 1946 value. Rising market prices much more than offset net sales by foreigner of $136 million. From 1946 through 1948 sales by France and the Netherlands were particularly heavy in order to help finance reconstruction costs.

Beginning in 1949 there were moderate net purchases in the United States by Swiss and United Kingdom investors, or investors utilizing financial services in those countries, but sales continued to be recorded for the Netherlands. In 1949-52 an annual average of over $300 million was added to the value of these corporate stocks through the rise in the market, with a moderate downturn coming in 1953.

There appears to be a fairly

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Chinese Trade Offer to the West

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possibilities in developing the Chinese market in view of the country's huge population (now approaching 500 million) that have always appealed to the American businessman. Yet with surpluses here in grains and petroleum, and with excess capacity in many chemical lines, pharmaceuticals, tools, machinery, and other products, many exporters are apparently willing to take a chance and resume trading.

However, as long as the Korean situation remains unsettled and as long as the United States continues to bar Red China from the United Nations, it would be highly unwise for this country to relax present restrictions on Chinese trade. Such a move would be interpreted by the tough Chinese Communists as a sign of weakness.

If individual Western European countries are able to develop barter trade with Red China—and the Chinese Communists are known to drive hard bargains—that would release the pressure of European goods on other markets. Japan, India, Burma, Ceylon, Indonesia, and Pakistan are also likely to push the demand for some relaxation of restriction on trade with Red China, particularly if the war in Indo-China is brought to an end. By letting these countries trade more freely with Red China, the United States will be more likely to keep them in line than by repressing them.

Resumption of trade with the Free World would, of course, speed up Red China's industrialization, but whether this happens or not, that country is on the way to become a factor in world affairs anyhow. The communist regime has been successful in stabilizing prices, balancing the ordinary budget, restoring transport and production.

Early in 1953 Red China launched her first Five-Year Plan, but poor crops and the drain on the Chinese economy by the war in Korea necessitated a general downward revision of the targets. The armistice in Korea and fairly good crops last fall eased internal tensions. Industrial production has expanded and at present is about one-third higher than in the best pre-1949 year. New plants have been opened with great fanfare in Manchuria and the trans-China railway has reached Lanchow—a boom city of a million, astride Yumen oilfields that are to become the "Baku" of China. Besides the trans-China railway, work has begun on a huge dam on the Yellow River which will generate eventually five times as much electricity as all the present power plants in China together.

When the present Five Year Plan reaches its goals in 1957, China's industrial output will roughly equal that of the Soviet Russia in 1932. This may not be much by American and Western European standards, but in combination with China's manpower reserves and the Chinese worker's capacity for endurance, this will give China an economic stature that is bound to command increasing respect. Yet, we must recognize that this poses a danger to the Free World, from the long-range standpoint. —END

As I See It!

(*Continued from page* 437)

show that we are sympathetic to their desire for independence from the old colonial powers. If we can show them that we have not forgotten our traditional standards, there can be little doubt that they will seek our aid, rather than that of the communists. Given a reasonable chance, they would much prefer to remain on our side. We must make sure of this by unshackling ourselves from the self-defeating policies of old European powers whose day has passed. We must show them that America possesses the strength which comes not only from immense physical resources but, even more important, from understanding and sympathy. This is the kind of strength on which these nations and peoples would like to rely. To achieve this willing cooperation would greatly aid us and the free world, in general, in the struggle against bolshevism and communist imperialism. —END

Foreign Holdings of American Securities

(*Continued from page* 494)

wide dispersion among industries with the largest holdings showing up under petroleum, public utilities and railroads and railroad equipment. Major changes from 1934, after allowing for price changes, are the declining holdings of rails, banks and utilities and the increased holdings of petroleum equities.

On the whole the industrial distribution was not much changed, reflecting in part the continued preference by foreigners for the stable, easily marketed issues of leading corporations. In 1949, about 84 percent of the value of foreign holdings was in issues listed on the New York Stock Exchange. There is considerable specialization by investors of different countries among the various industries; some examples are Swiss holdings of chemicals, United Kingdom holdings of utilities, Dutch holdings of steel and Canadian holdings of stocks of paper companies.

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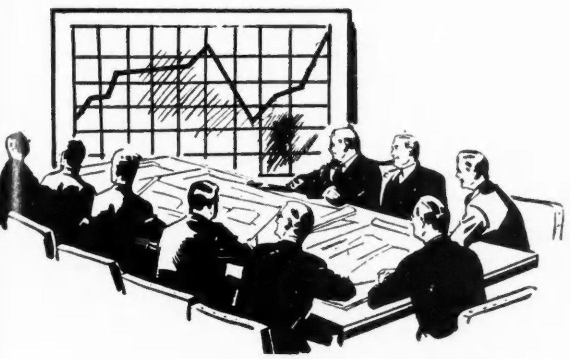

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